

the word "confidence" was to make it possible for countries to make plans with assurance that if untold untoward circumstances should develop and it would temporarily find itself unable to proceed, it had recourse to the Fund. It gave them the same sort of assurance as the Central Bank making it possible for them to lend with the understanding that should there be a temporary decline in the deposits the members could resort to the Central Fund for assistance. This is the same sort of thing in an international way. A country can plan its international financing and feel that if it should fall short there is an international organization to come to its assistance, and that's what is intended. I think the other point brought out by the representative of Australia is a little more important because while the words are very close to Alternative B as they were in Alternative A, they too change the impact of the sentence because they give the impression that it is the Fund's business to assist in the correction of maladjustments. This Fund will not be equipped to do this. This Fund's function is to make it possible to delay the consequences of maladjustments and to give the country an opportunity to take such measures as are necessary to correct the maladjustments. This Fund will not be large enough to correct any substantial maladjustments in this war-torn world, and if you should start out with the intention of having the Fund correct maladjustments the Fund will not be able to live up to its purpose.

Delegate from Australia:

This should also be referred to the Drafting Committee, but I would like to say that the first point about "confidence" might be made on perhaps somewhere else. On the second point I still feel that giving members time is also assisting them to correct maladjustments and the alternative words suggested are appropriate. However, that whole thing might be thrashed out elsewhere than this Committee.

Chairman:

Shall we refer this to the Drafting Committee with the understanding that opinions expressed here shall be taken into consideration by the Drafting Committee? Is that agreeable to you? -- Agreed. I hear no objection, it is so ordered. Now we consider Section 4. In Section 4 the Alternative A -- really, as I can see, there is not a single word of change -- there is no alternative at all. It was put there because the whole page was suggested as one alternative. It was not because that alternative had anything particular to suggest with regard to Section 4. I think I am correct in that reading. If so, we will drop Alternative A from our discussion. Then we have Alternative B, D and E. We have three drafts to consider. I will read first Alternative B. (reads alternative). Alternative D reads as follows: (reads alternative). Alternative E reads: (reads alternative E -- 4 and 5). Discussion now open on these alternatives.

Delegate from Belgium:

Mr. Chairman, I suggested the Alternative D, but in view of Alternative E I would suggest that Alternative D should not be discussed here and I am willing to drop it and support E.

Chairman:

The original proposer of D is willing to drop it, so consider only Alternative B and E.

Delegate from Norway:

As Alternative D was suggested by Norway I wish in a few words to draw attention to the reason why this change is suggested. Among all the purposed, the purpose to promote exchange stability is the one which has been all the time the center of discussion, and I think it would be wise to let that purpose stand out by itself and direct attention. To a great extent that is a matter of policy -- that is one thing -- and another thing is that what here is stressed as point 5 is in a way a quite different thing because if we completely succeeded in promoting exchange stability there would be no use in making the orderly alterations in a member currency. That is the reason we propose to drop that. May I also say that where in the new proposed five the intention has been to bring the rule here in conformity with the expression concerning alterations in 5 ways that I used in later articles of the draft.

Delegate from Australia:

Australia proposed the amendment contained in Alternative B because while we are entirely in sympathy with it being an objective of the Fund to promote exchange stability we think that exchange stability should be of a certain kind. It should not be exchange stability pursued for its own self. The danger that we see both in the original draft and also in Alternative E is precisely that the Fund may under this feel that it has a directive to aim at. -- Exchange stability irrespective of whether that is desirable or not. Now, it is perfectly true that in a later portion of the next provision is made for orderly changes in exchange rates, but there seems to us to be some conflict in the interpretation as to what is done later in the text and what is here made one of the purposes and policies of the Fund. We think that it would be undesirable, for example, if a country were inflating internally that the fund should seek under those circumstances to promote stability in the case of that particular country. It would be obviously undesirable to try to tie down exchange rates while the country was pursuing a domestic policy of inflation. Such a policy would be undesirable but the harm that it might do would be aggravated by any attempt to aim at stability of exchange rates under those circumstances. If it is only a matter of the public attitude toward this document then it seems to me that the point is met sufficiently by Alternative D which was proposed for withdrawal. And that alternative the proposal to promote exchange stability, was put first in order in the section and that may perhaps meet the point of view of those who fear the possible public reception to any weakening of the references to the exchange stability in this document, but we do feel that promotion of exchange stability in itself as an objective should not be one of the policies and purposes of this Fund.

Delegate from the United States.

It seems to me the statements of the Delegate from Norway particularly that the alternative suggested by him comes forward at this time because of other provisions that appear in the Joint Statement of principle. It seems to me that if there are to be changes in the latter language that then the Committee might return to the purposes of the fund. Certainly there is injected into this discussion in the alternative that we amend the provision agreed upon by the content in the Joint Statement of Principles, a very important matter that must be met and resolved upon a later occasion. I trust that the gentleman may await the resolving of those provisions before amending or seeking to amend the purposes of the Fund.

Delegate from Ecuador:

I wish to move that Article No. 4 remain as it is written in the project - that is to permit exchange stability, etc. (reads 4). I make a motion that it remain as it is without any changes.

Delegate from

I second the motion of the delegate from Ecuador because the amendment of the words "promote and secure stability". It would be easier, for the Bank should not secure exchange stability. For this reason I second the motion.

Chairman:

What is your pleasure? Shall we proceed to vote, or shall we report the opinion here to the Commission?

Delegate from

I should prefer to vote on this matter. I think this is a matter of purpose and I think that unless you hear the opinion of everyone present here the only way to get a good idea of the prevailing opinion is to vote. I think this is a matter to which we must attach the highest importance.

Reporting Delegate:

I think we must consider Article 4 of the Joint Statement. In this Article 4 all clauses with regard to the stability of exchange or the possibility of changing the rates are stated. I think that it would be wise for our Committee in agreement with the proposals of the member of the United States to wait and see how this article would be definitely formulated. If in this article some provisions will be passed providing for rate of exchange than we shall come back to the purposes of the Fund and include the purposes of the Fund in this matter, but I think we all agree that the principal purpose of the Fund is to promote and secure stability. If we shall agree to compromise in this scope something which will indicate that the Fund will facilitate changes which will prevent the countries to have recourse to avoid competitive discriminations then I think we must come back to this. I should like then to propose we accept the postponement of Alternative D. (reads Alternative D). I prefer this to E, because in paragraph E we give the impression we consider both the establishing of the promotion of the exchange stability and changes as the main objects of the Fund, while the main object is the stability of the countries, so I should like to come back to proposal D and not E.

Delegate from Brazil:

Mr. Chairman I beg to second the suggestion made by the Reporting Delegate because the spirit in which Article 4 or Chapter 4 is drawn up is the spirit of promoting stability, and only consider changes in special cases, so the whole idea in paragraph 4 which is intimately connected with that we are now discussing seems to be the promotion of stability as the governing principle. However, as the American Delegation pointed out, perhaps we might consider this point now of the preamble after having considered the question of par values of member countries to see whether the Committee will approve the general principles laid down in Chapter 4 is that of promoting stability. Generally speaking the Brazilians had rather favored among all the amendments that which has been withdrawn by the Belgian Delegation which seems to be among the members who wanted it more in

accordance with the spirit of the Fund. But the suggestion made by the Reporting Delegate to postpone any change in this article of the preamble until such time as we discuss the whole matter in more detail seems to me the best one.

Delegate from United Kingdom:

I should like to support what has been said here. I hope very much that we shall not proceed at this juncture to put this matter to a vote. It seems to me, Mr. Chairman, that it would be highly undesirable if at this stage we would proceed to vote on matters which to some members at any rate seem to engulf fundamental points of principle. By all means let us proceed. Let us not linger on unimportant points - there are other points. But where these points are involved surely for us to be taking sides before we have a preliminary run through would be a mistake. I therefore support what has been said by the delegate of the United States and the other speakers who spoke in that sense.

Delegate from France:

I wish to support the preceding speakers. I think it is premature to vote at the present time on a matter of principle.

The Chairman:

I think we have devoted enough time to the discussion of this section. We had a variety of opinions discussed. We have one very important point which we shall bear in mind. This principle affects the nature of the whole fund and what we are to adopt here should be harmonious with the total which we will build so if it should be agreeable to the Committee here I would suggest that we temporarily ask the drafting committee to take this section in hand with due consideration of opinions expressed here and with consideration of proceedings of this Committee as a whole not only at the present stage but in later stages. In other words the drafting committee should report somewhat later and not together with other articles.

Delegate from Norway:

It was necessary for us to bring this question up at this time before this committee because as far as I remember the problem which it involves realities should be treated by another committee.

Chairman:

Do I hear any objection to my suggestion? If not, so ordered. Now we shall proceed to consider section 5. Section 5 is only alternative A. The Alternative reads: (Alternative read). The change is in the first part of the section, the second part remaining the same. In the first part we substitute - the alternative substitutes this phrase "multilateral system of payments" instead of "multilateral payment facilities." Then the second part on current transactions of member countries there is a word in respect to current and so forth. What is your pleasure with regard to Alternative A, section 5?

Delegate from Great Britain:

Might we agree to accept that Mr. Chairman?

Chairman:

It seems to be a happy improvement on the wording. Shall we adopt Alternative A, section 5. Is it agreeable to all? I hear no objection, so ordered. Alternative A, Section 5 is adopted. Now we proceed to section 6. Section 6 has two alternatives - Alternative A (reads Alternative A). There is no change, but Alternative B (reads Alternative B) - addition of this phrase "in accordance with above principle" and the word "countries" instead of "members". What is your pleasure in regard to the Alternative B? Shall we add or shall we not that phrase "in accordance with the above principle".

Delegate from Australia:

This amendment is also put forward by Australia. It seemed to us that the statement of purposes and policies of the Fund as set out in six gave to the Fund altogether too wide a discretion. It must be remembered that the Fund has the power to refuse member countries access to their purposes if any member is not complying with the policies and purposes of the fund. In addition to that the Fund must take in account the purposes and policies of the Fund. Six says quite bluntly (reads) One way of doing that would be in the case of any disequilibrium to lessen the degree of equilibrium of balance of payments. For a country to follow a rigid policy of deflation such as wage cutting and other policies of deflation which have to be met in such circumstances. Now we doubt if in the present state of knowledge on monetary methods whether this is an amendment which should be adopted. We think there are other ways of correcting disequilibria of that kind and those other ways are preferable. Our proposal is intended to restrict the discretion of the Fund to the principles which were set out under one to five and to eliminate what seems to us a possible objectionable method of correction.

Chairman:

Any further discussion?

Delegate from United States:

Mr. Chairman, if there are no objections as far as the delegates from the United States are concerned we think it means the same thing with the language in as it does with the language out.

Delegate from

Will we put that in every clause "in accordance with the above purposes."

Chairman:

No the suggestion is only to insert that clause in section 6.

Delegate from

Then the remainder will not be in accordance with the purposes?

Chairman:

That of course is not intended.

Delegate from:

Mr. Chairman what occurs to me is whether it is really necessary to tell that "in accordance with the above purposes".

Delegate from Mexico:

The change of alternatives is contradictory with another phrase in article 3 which says to give time to correct maladjustments since it is the purpose of the Fund to provide shorter credit but what the Fund can do is to maintain this equilibrium without having to take restrictive measures and we feel that the wording of that phrase of this article is unfortunate and we should like to propose that it be referred to the drafting committee.

Chairman:

I wonder if you all got the point of the suggestion made by the member from Mexico. He finds that the phrase "to shorten the period. That might be contradictory to something we said above giving the members time to correct maladjustments so that it may well be referred to the drafting committee to find out whether the words are contradictory and if so to find a better expression.

Delegate from:

May I ask how the Fund would shorten the period of its agreement? oo

Chairman:

Is someone in a position to answer that question?

Dr. Goldenweiser:

I shall attempt to answer it. I think the idea of this section is that it would shorten the period by relieving the country temporarily from the pressure of its exchange while it is undertaking adjustments and therefore make it easier for them to bring about the adjustment and bring them about in a shorter time. The help extended to the members rather than shorten the equilibrium because we seem to be expanding the fund beyond its real scope if the idea is to actually shorten the equilibrium. I thought the Fund's scope was to lend help to the members who are in need of such help, but not in holding adjustment of its equilibrium.

Chairman:

I thank you Dr. Goldenweiser. I understand how by so doing it would help the country while it affects its own equilibrium. While the country itself is adjusting its own position to lessen \_\_\_\_\_, so the Fund itself will not shorten. The Fund will lessen the effect of the equilibrium while it is affecting its readjustment.

Dr. Goldenweiser:

Mr. Chairman, May I say that the intention of the language is not to indicate that the Fund in itself will do anything to bring about corrections in maladjustment merely because it will relieve the country of the exchange pressure during the period but in view of the fact that the language is subject to misunderstanding I think it would be best to refer it to the drafting committee

which will have heard the comments and will attempt to correct any misleading impression that it may give.

Chairman:

With respect to the first part " in accordance with the above principles" there are two opinions - one that limits the Fund's possibilities with member countries. The other opinion is that everything the Fund does must be in accordance with the principles. There is nothing the Fund can do without being in accordance with the Fund's principles. The second part, "to shorten the period", the language is not clear. It is subject to misunderstanding. Therefore it seems to me to be proper to leave this matter to our drafting committee. Let them work on this section and bring to us something better, clearer- then we will spend time to consider this. Any objection? I hear no objections, so ordered. Now we have to consider certain matters that was added to the original Joint Statement. We have alternative F which is an addition. It is intended to be a new section of this article - Alternative F.(reads). Discussion is open on Alternative F.

Delegate from Brazil:

Mr. Chairman this was the suggestion made by the Brazilian delegation. The idea was to indicate the advisability of establishing connection between the actions of the Fund and those of the Bank. It is somewhat connected with the point I had the opportunity to raise this morning in respect of a discussion of an amendment suggested by the Indian delegate. It is not we think the purpose of the Fund to deal with the investments. It seems to me, and as far as we have understood it, the general principle is that the Fund will deal with short-term or even perhaps at the most medium-term credit but long-term credit will be dealt with by the Bank. The two policies, however, should, it seems to us either connected or in some cases, the equilibrium, the balance of payments of a certain country which might be absorbed by the governing period of the Fund may be due to lack of investment. In this case the fund may get in touch with the bank and call attention to the advisability of directing investments to that country in order to give them the means of re-establishing the balance of payment. It seems to us that this should be inscribed as one of the purposes of the Fund to establish a connection with the bank purposes. that was the idea of this amendment.

Chairman:

Any further discussion?

Delegate from Poland:

The statement made by the Chairman of the delegation of Brazil - I think that we all understand very well to correct maladjustments in the balance of payments of many countries some other means are necessary as we have found - as they are in their own resources. So we see here that also we should consider the proposal of the Bank of Reconstruction and Development and it should be very advisable to put into the statuts of the

Bank

Fund the proposal of the delegate from Brazil which points to the necessity of collaboration of these two international institutions.

Dr. Goldenweiser:

When you read Alternative F it seems on the face of it to be innocent and in general it is clear that the functioning of this Fund would have to be correlated with the functioning of other international machinery but we have no real assurance at this stage that both the Fund and the Bank machinery would be established and it seems somewhat outside the scope of the purposes of the Fund to indicate that it is one of its purposes to cooperate with something else which may or may not exist. There is a proposal which will come up in due time about cooperation between the Fund and other international agencies and it seems to me that it would be very much better to pass this up at this time and consider that section as one of the substantive matters rather than one of the purposes of the Fund.

Chairman:

Any further discussion?

Delegate from Brazil:

Of course the proposal made of establishing correlations between two institutions presupposes the existence of both. If one of them does not materialize of course there is no possibility of establishing relation between two things one of which does not exist. I quite agree that in view of Dr. Goldenweiser's announcing to us that there will be certain proposals in connection with this subject to be further discussed, that the matter should be postponed until such time as the other proposal in connection with it could be taken up by the committee.

Chairman:

The member proposing this alternative agrees to the postponement of this alternative until we consider the proposal of other international agencies - so the consideration of Alternative F is postponed.



MINUTES OF MEETING OF COMMISSION I - COMMITTEE 1  
10:00 a.m. Auditorium

July 4, 1944

Dr. Tsiang took the Chair upon introduction by Dr. White, Chairman of the Commission I of the Conference. He outlined briefly the procedure to be followed by the Committee indicating that the Committee would follow the topics assigned to it in Document No. 51 distributed by the Secretariat entitled "Assignment". He indicated that the Committee would follow these assignments within each article and proceed section by section. Where there was only one alternative embodying no substantial change the Committee would endeavor to reach agreement or where there was more than one substantial change the Committee would take up the alternative involving substantial change first.

The representative of Ecuador moved that where an alternative does not make a substantial change it should be referred by the Chair to the Subcommittee of three or five members in order that that Committee might agree on the change it thinks advisable. Mr. Keilhau of Norwegian delegation made the following suggestion on procedure. He indicated that of the topics assigned to this Committee all were important but only the question of quotas was difficult on the account of the great interest of governments in the matter, and because neither the Joint Statement nor the Committee Document F.1 made definite provision with respect to it. Mr. Keilhau therefore suggested that for quotas there be a small expert committee of three including lawyers and bankers among its members. He suggested that the Committee discuss provisionally the proposed formula for quotas and thereafter refer the matter to this subcommittee who would ascertain the views of various delegations and make a report. The Chairman then put the motion of the representative of Ecuador for a small drafting Committee involving no substantial change but this motion was lost for lack of a second. The Chairman replied to Mr. Keilhau that shortly a paper on the subject of quotas would be presented to the Committee and that it would be best to defer discussion on the subject until then.

Mr. Keilhau agreed to postpone it until that time.

The Chairman then read Section 1 of Alternative a, to Article I and Judge Vinson of the United States delegation moved that it be adopted on the ground that it involved no change in substance and there was discussion in which Mr. Nash of New Zealand the Egyptian delegation stressed the omission of the alternative A, section I of the words "a permanent institution" and suggested this was a serious omission since "machinery" might be understood to read mere consultative arrangements. Mr. Nash therefore moved that it would be better to return to the original wording of the Joint Statement and was supported by Mr. Varvaressos of Greece and Mr. Soong of China.

The Canada representative defended the language of Alternative A, Section I in preference to that of the Joint Statement on the grounds that the whole instrument set up an institution in its other provisions and that the reference to "machinery" was appropriate for a statement of purposes.

The Chairman put the motion indicating that the only important point was whether to retain the words "a permanent institution" or not and the motion was lost. (The United States and United Kingdom voted for the motion).

Professor Robbins of United Kingdom referred to the difficulties of drafting in a large group and pointed out that since the Conference was to complete its duties by July 19 it was essential that we focus attention to completing the Committee assignments. He therefore suggested a small drafting Committee as proposed by Mr. Keilhau of Norway but suggested that it be a permanent subcommittee of this Committee and suggested that sections marked with an asterisk (indicating substantial change) be referred to the subcommittee by the Chairman with the approval of the Full Committee.

Mr. Jeremy Raisman of India seconded the motion. Mr. Mladek of Czechoslovakia asked whether the right of the Committee to decide whether the change was one of substance should be fully safeguarded. Mr. Robbins replied that this was implicit in the constitution of the Conference as a paramount principle and that the motion would have needed no amendment in this respect.

The representative of Iran asked whether the Committee would have an opportunity to review the findings of the Committee and the Chairman replied that the Subcommittee would report to the Full Committee.

Professor Mossee of French Delegation seconded the motion which was then put by the Chairman and carried (United States supported the motion).

Judge Vinson then said that though he did not address himself to the results of this vote he wished to raise a question of procedure. It was, he said, his understanding that differences of opinion in the Committee would be reported fully to the Commission. The Chairman, replied that the Committee was not under obligation to report on all purposes of difference since in that case it would not fulfill its purpose of saving time for the Commission.

The Chairman then submitted the alternatives to Section 2, Article 1 of the Joint Statement indicating that there were two without substantial change and one with substantial change and that he proposed the Committee consider the latter.

Judge Vinson of the United States Delegation then requested that Dr. White, Chairman of the Commission, be given the floor.

Dr. White said that it was his feeling that a vote on each question would be undesirable and would slow down the Committee's progress and asked whether in cases where the Chair recognized the differences of opinion, the Chair would not refer the matter to the Commission and if there is general

agreement on this procedure, pass on to the next point.

Dr. White suggested that the Chairman thus not attempt to obtain a vote on each provision. The Chairman replied that it had been, and was his intention to dispose of secondary matters in this manner. On matters of importance it was his intention that the Committee should have free expression of its views and that all shades of opinion should be reported fully. He said that the question raised in regard to Section 1 of Alternative A was a matter more of language than of form. Mr. White then asked whether, when the matter is not brought to vote, the Chairman could not pass to other points because there might be a difference of opinion as to what might be important and what not important and that it might be unfortunate to oblige the Committee to make this distinction in a formal way when the Committee decided whether or not to take a vote.

The Chairman said that motions like the one to constitute a Subcommittee to facilitate the work of the Committee would have to be put to a vote. With regard to other matters it would probably be satisfactory if the Chair would consult the Committee on whether or not there should be a vote.

The Chair then proposed that Alternative C to Section 2 should be considered and read the alternative which is as follows:

Sir Jeremy Raisman of the Indian Delegation then explained to the Committee the reasons in the mind of the Indian Delegation proposing this alternative. These reasons were in the first instance that the wording of Section 2 of Article I of the Joint Statement gives undue emphasis to the high level of income and of employment in already highly industrial countries. It cannot, he said, be the object of the Fund to restrict its activities in this respect to highly industrialized countries. The Fund should have as its objective also to bring low income countries up to a high level quite as much as to maintain the high level in other countries.

Sir Jeremy said that the other maintenance implies that such a high level of employment of real income already exists therefore the Indian amendment is intended to give explicit expression of what is really meant by this section of the Joint Statement by implication.

Mr. Beltran of Peru suggested that the intent could be made clearer by adding the words "promote and maintain" to the Section so that it would read that the objective of the Fund was to promote and maintain high levels of full employment and real income.

Mr. Keilhau of Norway observed that if any of the alternatives were adopted it would be necessary to have the word "promote" in this Section.

The view of the Indian Delegation was supported by the Delegate from Ecuador.

Mr. Holloway of South Africa suggested that the Indian motion goes beyond the main objective of the Fund and that in all of the Committee's discussions the danger of going beyond the proper purpose should be guarded

against. He said that as the Indian alternative is worded the purpose is really the purpose of the Bank rather than a purpose of the Fund. He referred to Alternative F of Article I in which cooperation with other agencies is suggested as an objective and indicated that a point was really covered there.

In the further debate on this issue, the Australian Delegate supported the Indian alternative stressing in particular that a conflict might arise between objectives such as exchange stability and the basic economic objectives such as stressed by the Indian alternative and should be clear that the Fund is determining its actions should have in mind these major economic issues which should be governing in its policy decisions. He suggested, however, that the word "thereby" in the Indian Alternative be dropped and this was agreed to by the Committee including the Indian delegation. The Chairman said that further consideration of the Indian alternative would be without the inclusion of this word.

Judge Vinson asked for permission to have Dr. Goldenweiser address the Committee and Dr. Goldenweiser said that it would be helpful in view of the United States Delegation if the Committee should agree that the word "maintain" include the idea of "attain" and "promote". He said that if the Committee agreed to refer this alternative to the Drafting Committee, the United States Delegation would be quite ready to see the word "thereby" dropped. He said, however, that it would, in the United States' Delegation view be unfortunate to include the words about the fuller utilization of the resources of undeveloped countries suggested by the Indian delegation. This view was taken on the same grounds put forward by the South African Delegation.

The Brazilian Delegation agreed with the thought of the Indian alternative but felt that as worded it included an objective of the Bank among the objectives of the Fund.

Mr. de Iongh of the Netherland Delegation said that the Expression of trade which is already in the language of the Joint Statement carries by necessary implication the idea of fuller utilization of resources and higher real income. He emphasized the dependence of the Fund for its success upon a national policy of the member countries. He suggested the following revised words for the Indian alternative.

Professor Mosse of the French Delegation also proposed new wording for Section 2 as follows:

At the request of the Delegate from Cuba there was discussion of the meaning of the word "balance" as it appears on Article I and it was brought out by Mr. Goldenweiser that unless so qualified the other expression might be taken to mean a growth of imports without a corresponding growth in exports.

The Indian representative said that the additional words proposed by the India delegate did not enlarge the purpose of the Fund but merely made it more complete. He quoted from the Questions and Answers to show that the purpose he mentioned was already in the Fund. The South African representative suggested that Alternative C be referred to the Drafting Committee. The Chairman agreed to so refer the question. If the Committee agreed that the Alternative does not enlarge the meaning of the purpose of the Fund as

stated in the Joint Statement.

The representative from Ecuador asked that the question of whether all the alternatives on this article should not be referred to the Drafting Committee but was over-ruled by the Chair with the support of the Committee.

It was agreed that when the Drafting Committee reaches this Alternative a member of the Indian Delegation should be present.

The meeting was adjourned.

## MEETING OF COMMITTEE I

## OF COMMISSION I

4 P.M. July 5, 1944

THE CHAIRMAN: The Committee will come to order. You have before you the report of the Drafting Committee of Committee 1 on matters referred to it yesterday. I will now ask the Chairman of that Committee to make the report.

Mr. Goldenweiser:

( Mr. Goldenweiser reads the Report of the Drafting Committee of Committee 1 of Commission I on Matters referred to it at the Meeting of Committee 1 on July 4.)

The CHAIRMAN: We will now proceed to consider the recommendations of the Drafting Committee. First we will take up Article I, Section 2, which reads. " To facilitate the expansion and balanced growth of international trade and to contribute thereby to the promotion and maintenance of high levels of employment and to the development of the sources of productive power in all member countries as primary objectives of economic policy."

DELEGATE FROM THE UNION OF SOUTH AFRICA: Point of order. There are not enough copies to go around. Some delegations haven't a copy. In the file room they say they haven't enough copies yet.

THE SECRETARY: I just received a note that says additional copies will be available in a few minutes.

DELEGATE FROM PERU: In accordance with what the President said this morning with regard to the reports of the Committee to the Commission, shall we take it that we will receive the printed report of the Drafting Committee one day, and the Committee will take it up the next, giving the delegates time to read it and study it? In other words, we would take up this report tomorrow.

THE CHAIRMAN: I think the suggestion is well made. Since we do not have enough copies we will defer consideration of this report until tomorrow morning meeting of this committee. I wish to draw your attention to another fact that the delegate of Egypt has submitted Alternative H. That has been circulated. Has everybody a copy? That is available and since that is new material and since some members have even up to this moment not received a copy of that Alternative, I will also defer consideration of that alternative until the tomorrow morning meeting.

Now we will take up our regular agenda. Today we consider the second big topic of our Committee Agenda. Namely, " subscription to the Fund". That is on page two of that big document -- document F - 1. It is Article II of the Joint Statement. Article II, Section 1 - - the

original of the Joint Statement reads: " Member countries shall subscribe in gold and in their local funds amounts ( quotas) to be agreed, which will amount altogether to about \$8 billion if all the United and Associated Nations subscribe to the Fund ( corresponding to about \$10 billion for the World as a whole)." Alternative A - Section 1 - " Countries Eligible for Membership. The members of the Fund shall be those of the countries represented at the United Nations Monetary and Financial Conference whose governments accept membership in the Fund. Membership in the Fund shall be open to other countries at such times and in accordance with such terms as may be prescribed by the Fund." This is additional material and there is no other alternative so we will consider this section now. Any discussion on Section 1 - Countries Eligible for Membership?

Delegate of Norway: As one of those tedious lawyers mentioned by Professor Tsiang (?), I wish to draw your attention to one little thing in the language. The first paragraph says that " the members of the Fund shall be those of the countries represented, etc.", but the second paragraph says that " membership in the Fund shall be open to other countries." Accordingly, I think Article Z, at the beginning of the first paragraph, is wrong. There should be substituted either " founder members" or " original members" or any other phrase signifying their real position.

CHAIRMAN: Any other discussion?

DELEGATE OF NETHERLANDS: Mr. Chairman, the Netherlands Delegation thinks that an important improvement in paragraph A would be that no mention should be made of eight billion or ten billion and particularly that the implication no longer exists that this conference should mean to imply that the neutral countries and the now enemy countries should be entitled to a share in this Fund to an aggregate quota of two billion which would be 20 percent of the total and which would be far more than according to present understandings would be assigned to many of the United Nations here present. If it were possible Mr. Chairman to have some clarification as to whether or not the view of the Netherlands Delegation are correct, we would appreciate it.

CHAIRMAN: I am sorry I did not understand clearly your point. Will you state it again?

DELEGATE OF THE NETHERLANDS: The Netherlands Delegations considers it a great improvement to say that Alternative A no longer mentions the figure of eight billion for United or Associated Nations' subscriptions to the Fund and to the figure of 10 billion as corresponding to the subscription if all countries of the whole world were members. The Netherlands Delegation thinks that it would be wrong to imply that a total quota of two billion which is twenty percent of the total should be left aside by implication to the countries with which we are now at war and to the few remaining countries because this would present such a quota for those countries as is much in excess of the quotas certain of the nations now united would probably receive under the present consideration for the Fund.

CHAIRMAN: Is there any delegate who wishes to make a remark or explanation on the point raised by the Delegate of the Netherlands?

Mr. GOLDENWEISER: Mr. Chairman, I don't want to take up time, but I would say to the Delegate of the Netherlands that his interpretation of the object of the change is entirely correct, that paragraph 1 of the Joint Statement was more an indication of the general figures that were being contemplated so it wouldn't be too wrong or too fantastic -- too low a fund or too big a fund, but now that we have come much closer to reality the figures are no longer appropriate and their amounts involved will be the result of what would be done under Section 2. - Quotas.

CHAIRMAN: Any further opinion on Section 1? There has been expressed already one more opinion, that is, in the first paragraph there seems to be the need of adding a word. A member from Norway has suggested that the word "original" members of the Fund -- the word "original" be inserted there. Is that agreeable to all, the addition of the word "original"? I hear no objection. I take it that the addition of that word is agreeable to us all.

Mr. GOLDENWEISER: I am sorry to be a little late but I think the word "original" is not a good selection because an original member means that everyone joins right then and there. As a matter of fact the joining might take some time in some instances and you wouldn't want to deprive any of those members of the privilege of belonging to the original group. I think that some more neutral word would be preferable, but at the moment, it doesn't occur to me.

DELEGATE OF NORWAY: Mr. Chairman, founder members.

Mr. GOLDENWEISER: Couldn't that be referred to the Drafting Committee?

REPRESENTATIVE OF FRENCH COMITE: It seems to me that the word "original" or some similar word would have the draw back of implying that there are two classes of members. If such is the meaning it ought to be stated, I assume that it is not the meaning. That is why I would propose another slight change which I believe would meet the objection of the Delegate of Norway. This is my proposal -- "The members of the Fund should be at first those of the countries - later on, membership in the Fund, etc "

CHAIRMAN: I think if there is no discussion on some substance we had better not take the time to discuss the words yet. Is there any opinion on the substance of this Section? If not, I take it that the substance of this Section is agreed to by this Committee and that the language there be referred to our Drafting Committee. If there is no objection, it is so ordered. Now we have the extra copies of the report of the Drafting Committee, and will a Boy Scout distribute them to those who have not received copies. Now we will proceed with our regular agenda. Section 2 is on Quotas. You will see that in this section there is a blank and Schedule A can be added later. Since that paper is still under preparation, I suggest that we pass by this section and proceed to discuss Section 3. Section 3 - Time and place of Payment. "Each member shall provide the Fund at the appropriate depository with the full amount of its quota on or before the date fixed for exchange transactions in its currency to begin. Any member whose quota is increased shall provide the full amount of the increase within



thirty days of the date on which the member approves the increase in its quota." Discussion is open on Section 3 - Time and Place of Payment.

DELEGATE OF VENEZUELA: I should like to have an explanation of the expression "for exchange transactions in its currency to begin." At the beginning of the paragraph where it says "on or before the date fixed for exchange transactions in its currency to begin."

MR. GOLDENWEISER: The meaning of those words is that before a country can draw on funds by the use of its quota it must have made its deposit of its quota with the proper department. Does that answer the question of the member from Venezuela?

CHAIRMAN: That is a very important explanation. I think that phrase puzzled more than one member of this Committee. We are more than grateful to Mr. Goldenweiser for it. It simply means before a member can draw upon the Fund for exchange a member must pay his quota.

DELEGATE OF SOUTH AFRICA: The country may wish to associate itself with the Fund but may not for a long period want to have any exchange transactions with the Fund because it does not require them. The Fund will not have the advantage of the quota of that country if the text stands as it is. I think if we are going into a club, the membership subscription should generally be paid to the club before we are admitted and this money should be paid before you become a member, and once you are a member other things follow.

CHAIRMAN: Any other opinion?

DELEGATE OF INDIA: For example, you stated that until the subscription is paid up the country will not start operations. Similarly can we state that unless so many members join the Fund or so much quota is paid, the Fund will not really come into existence and operate.

MR. GOLDENWEISER: Mr. Chairman, I believe there is another clause that covers the point made by the Gentleman from India. I would suggest that Mr. Maffrey of the American Advisors have an opportunity to throw some light on the language of this section.

MR. MAFFREY: If the Committee will refer to page 49 of Document F-1, it will find listed a Section 4 of an additional article 13 entitled "Fixing Initial Par Values". The difficulties that have been pointed out in the discussion of the last few minutes are dealt with or will be dealt with in Section 5, in this section 5 of the additional Article 13. Without going into the details of the proposed provision it is contemplated that the Fund will come into operation when member countries holding a given percentage of the aggregate quotas have accepted membership. It is contemplated further that on or before a date agreed upon for the beginning of exchange operations countries which have accepted membership will be required to pay their quotas into the Fund. In other words, it is contemplated that the Fund will come into operation in two stages. First, the acceptance of membership and second, the payment of quotas and the beginning of exchange operations.

DELEGATE FROM CZECHOSLOVAKIA: Mr. Chairman, I would strongly support the American concept of dividing operations of the Fund and the effectuation of the membership into two stages. It applies very much to occupied countries which participate in establishing this Fund. However, we will be unable to join the Fund if we are compelled to pay into the Fund at once. So the American concept appeals very much to us.

DELEGATE FROM NORWAY: Inasmuch as this is a problem of the Fourth Commission I would suggest that we do not discuss this matter any more before it has been treated by the Fourth Commission. I wish to draw attention to the fact that here we are only dealing with time and place of payment while in those other sections we are dealing with initiation of member rights. I would say that the substance of the draft is all right.

CHAIRMAN: In connection with this section, I think we better continue with the Alternative B because the two are really closely related. I will read Alternative B, which is in substance Alternative A - It is an addition to Alternative A. Alternative B reads "Notwithstanding the fundamental principles on payment of quotas particular arrangements may be made with countries whose currency system has been disrupted as a result of enemy occupation. Such arrangements may not extend over more than nine months i.e., after nine months, at the latest, the obligations of the country will be the same as they would have been if such an exception had not been granted. The government of the respective country has to guarantee by a specific act that the Fund will not suffer any loss because of that particular arrangement." Is there any discussion of this paragraph?

DELEGATE FROM CZECHOSLOVAKIA: Mr. Chairman, this amendment has been suggested. I mean the amendment, as pointed out is the supplement to Alternative A. It has been suggested by our Delegation and we have been guided by the following reasons we believe that although we fully agree with Alternative A, that it may prove to be too rigid for the countries liberated from occupation. There will be certain irregularities present in the monetary system. It would be of no use I think to try making a full list of the difficulties which may arise. Just for the purpose of elucidation I may perhaps give an instant. You know that the gold holdings of several occupied countries went into enemy hands and they are still in their hands. It is hoped that this gold will be restored to the local owners but there is no doubt that it will take some time before the redistribution of the gold will be effected and we feel that it would be wise not to prevent the Fund from entering into dealings with such countries because of such more or less formulations difficulties. It would be wise I think for two reasons. The strain put in the monetary systems in these countries will be tremendous and of no period will it be so true as of the early transitional period after the war. Assistance delivered promptly helps best; that the money used today may be worth more than shillings thrown in tomorrow and although the countries will definitely have to find most remedies for the distorted currency situations in our own countries, it is nevertheless equally true that the common knowledge that a powerful international organization is backing up such restoration processes in a country would help greatly to restore the very shaken confidence in currency in this area. There are other reasons. We are very particular about the language we are using and we would appreciate any amendment of language but I would like to call the attention of the Committee to two principles used

in our proposal. The first one is that it is left fully to the discretion of the Fund to judge whether any such exceptional arrangement should be used and what time it should be used and under what conditions and secondly - the second principle is that these exceptional arrangements should be limited in time. The third one, but no less important one is that the Fund, and implicitly the other members of the Fund should be safeguarded against any losses which would arise out of this arrangement. Mr. Chairman, we recommend this revision to the Committee in the belief that it can't harm anybody and it can provide for a lot of help.

DELEGATE FROM THE NETHERLANDS: Mr. Chairman, I would like to ask a question to the member for Czechoslovakia who proposes the amendment. Access to the Fund is not possible for any member who has not fixed with the Fund the value of its currency. I think the situation in Prague as described by the Delegate from Czechoslovakia allows for the succession of her currency during the period in which it may be difficult and I understand that very well. To fix the amounts of assets, gold available and to arrange transactions necessary to opening relations with the Fund but I do think that in that situation it will be very difficult to fix a par value which anyway is necessary to start relations with the Fund. Thank you very much for suggesting that point.

DELEGATE FROM CZECHOSLAVAKIA: It was not in my mind just to use this arrangement for somehow supplementing the existing system. I might agree with the Dutch delegation. It would be very difficult and I think we are encroaching upon a field which exceeds the scope of our work because it is a matter belonging to the second committee and there have been provisions suggested by various delegates for coverage.

DELEGATE FROM POLAND: Mr. Chairman, I second the motion of the Delegate from Czechoslovakia. I would like to say that in many countries which are now occupied by the enemy the currency is still very much disrupted. Here is a motion put to us by the Czechoslovakian Delegate, with respect to exceptional arrangements, we see it there a term of nine months, not more than nine months. For my country I think this term will be quite sufficient but may be for other countries it will be more advisable - it may also be for Poland - may be I am too optimistic in that. To give to the Fund the facility to make arrangements for a certain period as the Fund will think necessary for the particular country. Taking into account all the circumstances of this country, all the currencies which are now there in force and which must be unified and supplemented by a new currency system.

DELEGATE OF THE UNION OF SOUTH AFRICA: Mr. Chairman, the Delegate from Czechoslovakia has brought in a very important issue here, an issue which to my mind goes a good deal beyond the particular article on which it has been raised. I think it will be generally agreed that it will be exceedingly difficult for any conference to lay down beforehand in any detail what is to be done in the case are going to be. We do not know the kind of liberation the period of nine months may mean to a particular country. It seems to me that if we try to go ahead and lay down the details as to what is to be done to aid liberated countries we shall simply be trying to do the impossible task. It seems to me that there will have to be some general overriding clause, not a proviso to one section only, but a general overriding clause to enable the Fund to come into being before these

countries are liberated, to make such arrangements and give such extensions of time to the liberated countries as may be necessary in its particular case. I think perhaps it should be examined by a special subcommittee which you might appoint for that purpose to give such latitude to such countries as is consistent with the general principles of the Fund. It will enable them to get over the difficulties with which they are faced. One thing which we do not want is when the Fund starts it should look at this document for whatever the lawyers will make of this conference afterwards - if a coma is in the wrong place we must technically rule out the country. There must be some latitude in that way and I think the instruction should go out from this Committee to a Subcommittee to consider that problem which is not to my mind being considered and to bring it up for consideration to the Committee.

DELEGATE FROM IRAN: My remark, Mr. Chairman, refer to Alternative A, if I may proceed now. In the Joint Statement the mode of payment of the local funds was not stated. In Alternative A it is said that the full amount must be paid. In a document which was circulated I think under the title of Answers and Questions, this reference was made to this question which it seems to me is very important perhaps to a number of countries represented here. It may not be necessary to require the payment of the local currency to be made in full immediately after the Fund is instituted and if that is the case it seems to me that it would create unnecessary difficulty for certain countries such as mine for instance which have to find deposits by putting up 100% cover for their currency and I would, therefore, suggest that unless it is absolutely essential that the local currency should be provided in full and immediately after the Fund comes into being that special consideration should be given to those cases and I would like to ask Mr. Chairman, that if there is any particular reason why this change has been made that it should be stated.

DELEGATE FROM NORWAY: Mr. Chairman, I should like to make a short comment on the suggestion from the delegate from South Africa. He suggested that there should be appointed a subcommittee for making a draft for special arrangements in all fields concerning the occupied countries. I will draw his attention to the fact that this can't be done by this Committee because a number of those provisions and the most important of them, come under the heading of other committees and that must be deferred by resolution by the Commission but there is another thing - the Representative for South Africa - may be I misunderstood him - seem to think that it would be satisfactory for the now occupied countries if it was left to the Fund to make such decisions as might be found expedient to make. From the point of the occupied countries that will not be satisfactory. We must have our rights and it must be given as our rights and then I should really think that if we understand that it is easier - nevertheless to accept the proposal suggested by Czechoslovakia that the rights are laid down wherever we meet the programs and I wish to add to what Mr. Mladek has said that in this big document there are a sufficient number of alternatives which will take care of these cases. I would therefore like to support Dr. Mladek.

DELEGATE FROM POLAND: I think the procedure that Norway puts out in regard to the rights - I feel in conformity with the principles, any rights given her will be given to them. My thought is to make such concessions as the circumstances may make essential in order to enable them to use those rights.

DELEGATE FROM THE UNITED KINGDOM: I don't think it is necessary for me to say much, Mr. Chairman, because the Delegate of Norway has said with his characteristic force much of what I intended to say myself, namely, it seems to me that the very important points which have been raised by various speakers do in fact far transcend the context of this particular section and it would, therefore, - I submit it would be unfortunate if we were to reach a conclusion on this matter here now or if we were to appoint a committee to deal with this specific point only. Therefore it seems appropriate - I suggest, Mr. Chairman, that we should report to the Commission that this point has been raised and we should add that in our judgment it is a point which is best considered in conjunction with a number of other asterisks of the draft of the Joint Statement by a special committee of the whole commission.

REPORTING DELEGATE (GREECE): I wish to report as to the proposal of the Member from Czechoslovakia, and in connection with the proposal of the Delegates from South Africa and the United Kingdom, I think the best procedure would be to apply to the Commission and ask for the appointment of another smaller committee which will consider this matter in connection with other similar matters relating to the liberated countries.

DELEGATE FROM EGYPT: I wish to raise two points, one, simply to mention that the question of payment of quotas has been raised this afternoon. That, of course, will raise the whole question of the denominations in which payment has to be made. I only mention that now because I have given notice to the Secretary General of a suggestion that will raise the whole question of the common denominator in which the funds of the Fund are to be kept. I leave that point then for future consideration but the second point is different. Occupied countries have said that they must have time before their currencies get settled down to a certain extent. In the Middle East we must make the same claim for a totally different reason. I take Egypt for example which I know best. At the present moment Egyptian currency - the purchasing power of it internally has depreciated to 30% of its prewar value. The external purchasing power is on an exact par with sterling, but as regards to internal purchasing power, to judge by what happened in the last war, the purchasing power of our currency may be expected after the armistice to double in value inside of a year. There would be a very large movement in its external value so we also in the Middle East will have a certain lapse of time before our currency gets settled down but I have not the slightest doubt that it will settle down.

CHAIRMAN: It seems to me we have discussed this point long enough.

MINUTES OF MEETING -- COMMISSION I -- July 5, 1944: 4.45 p.m. Auditorium

CHAIRMAN: In regard to Alternative B I would like to summarize our discussion as follows:

1. Special consideration should be given to the countries which have been occupied. That matter concerns matter of initial payment but a number of other matters also. This committee suggests to the commission that a special committee be created to consider this matter of special treatment of countries which have been occupied. Is there any objection to this summary up to the present time?

CANADA: Special consideration should be given to the problem of these countries rather than to the particular country. That is to say, the problems of the countries that have been occupied.

CHAIRMAN: Special consideration too shall be given to the problem of initial payment and other related matters of the countries which have been occupied and the commission should make a special committee to consider the related matters. Alternative A deals in fact simply with the matter of time and place of payment. Shall we say that so far as that section goes we see no objection but since it is related to matters on page 49, Section 5, will be deferred until the committee has considered that section. Is that agreed to?

IRAN: Kindly repeat.

CHAIRMAN: (Summarized as above)

CHAIRMAN: Now let us consider Section 2. "The quotas may be revised from time to time but changes shall require a four-fifths vote and no member's quota may be changed without its assent." "The Fund may, at intervals of five years, adjust the quotas of the members. It may also, if it thinks fit, consider at any other time the adjustment of any particular quota at the request of the member concerned. A four-fifths majority vote shall be required for any change in quotas and no quota shall be changed without the consent of the member concerned."

AUSTRALIA: I think it would be preferable to leave the Fund free to revise the quotas at any time as it was in the original statement. I see no reason for "...at intervals of five years" or "the Fund may from time to time adjust the quotas of members."

MR. GOLDENWEISER (United States): The idea in this section was that the Fund would be expected to review the whole matter every five years but it could at the request of the member or members take it up at any time that it saw fit. I think that in a way meets the suggestion made by the member from Australia, but if it does not, there would be no objection on the part of the United States delegation to having the words "at intervals of five years" changed to "from time to time."

NORWAY: I should like to speak in favor of retaining the clause as it is. An uncertain time means "no time" and I think any expression "from time to time" wherever it is used means it is never considered. It will be necessary in my mind to fix a definite time. That is one side of the picture. But there is also another side. I think that it will be of certain importance, to govern-

ments, I should say, a very great importance, that these quotas which they have now got should not be revised for five years. That gives them better ground to stand on. I am very much in favor of the proposal as it is being made now. I think it is very wise..

BRAZIL: I wonder whether the matter would not easily be reconciled. The Fund will at intervals of five years consider the advisability of adjusting the quotas. That means that every five years the Fund will study the matter and consider the advisability or otherwise of adjusting the quotas and then if it sees fit at any other time the Fund will at intervals of five years consider the advisability of adjusting the quotas. I wonder if that is of any help.

CHAIRMAN: Change the first sentence to read "The Fund will, at intervals of five years, consider the advisability of adjusting the quotas of the members." The rest will remain as before.

AUSTRALIA: That still does not suffice -- if something was added "at any other time" to make it clear that it was not limited....

MR. GOLDENWEISER: This section becomes clarified to the point where it is reasonably clear there is no substantial difference. We have the sentiment of those who have spoken and it seems to me that it would be desirable to have the language deferred to the language committee.

INDIA: I should like the word "review" instead of "adjust". "Adjust" carried implication that the only function of this assembly is to change the quotas of different countries. And another drafting point -- substitute the word "shall" for the word "may".

CHAIRMAN: We have discussed long enough on this matter. It is the sense that we should have a definite opportunity at intervals of five years to reconsider the quotas. We also wish that even before the five-year period the freedom to consider quotas. The language of this paragraph should cover both those needs. If agreeable to this committee, we will refer this section to our subcommittee on language so as to cover both those needs expressed in this discussion. Is that agreeable? So ordered.

We shall proceed to Section III. "The obligatory gold subscription of a member country shall be fixed at 25 percent of its subscription (quota) or 10 percent of its holdings of gold and gold-convertible exchange, whichever is the smaller."

"Alternative A, Section 5. Initial Payments. Each member shall pay in gold the smaller of (a) twenty-five percent of its quota of (b) ten percent of its official holdings of gold and gold-convertible exchange. In the case of any member occupied by the enemy whose holdings are not ascertainable as of .(date)... the Fund shall fix an appropriate alternative date." Any discussion on this section, Section 5, Alternative A?

HAITI: I should like to ask the United States why the following phraseology was dropped. "A member country may include in the legal reserves and the published statement of the reserves of its gold and foreign exchange an amount not to exceed its gold contribution to the Fund."

MR. COLLADO, UNITED STATES: The phrasing in that document was rather a broad suggestion regarding the way the Fund might be handled in connection with individual payments, etc. Whether or not a country decides whether it is desirable to include any reference to its membership in the Fund in its legislation in connection with its reserves requirements is purely a matter of domestic legislation. I do not believe it would be proper for an international agreement on the subject to dictate the form of the reserves of individual central banks.

IRAQ: Concerning the position of any of those countries which hold no gold or no convertible exchange -- in the case of Iraq we have no gold holding. As to whether we have any gold convertible exchange would appear to depend upon the definition which is given to that expression. Are we right in assuming that the country holding no gold and no convertible exchange contributes nothing under this?

UNITED STATES: That is purely a mathematical question -- 10 percent of nothing is nothing.

IRAN: Alternative A to Section II may apply equally to this alternative. "Each member shall pay the balance of its quota in its own currency."

CHAIRMAN: That point is covered in the Joint Statement, page 29. Any further discussion?

POLAND: Two of the points raised in Alternative A are points that we have just referred back for further consideration after certain other things have happened. Is not the only point for consideration whether these proportions of 10 and 25 percent are checkable?

NORWAY: In the Joint Statement II, 3, "The obligatory gold subscription of a member country shall be fixed at 25 percent...." It is written in Alternative A, "Each member shall pay in gold the smaller of 25 percent of its quota or 10 percent of its official holdings of gold..." and "Each member shall pay the balance of its quota in its own currency." Here is made a substitution which I should like to ask about. According to the Joint Statement any country which thinks that it has enough of gold or which might be very fond of gold could pay up to 100 percent of its quota in gold. It is written that it shall pay as a maximum 25 percent and the rest in its national currency. I think the more flexible system of the Joint Statement and I should like to ask about this point and I will come back to it in time.

MR. GOLDENWEISER: It isn't intended to insist that the country pay not more than 25 percent, so that those taken care of in Section VII on page 11 - the intent of the matter is to indicate in Section V the minimum that is required in gold and not the maximum.

NORWAY: I think it should be put in here at least.

MR. GOLDENWEISER: The language should be changed but the intent is clear.

NORWAY: Insert "the minimum of" or "at least".

CHAIRMAN: The committee accepted the meaning of the sense of this section and decided that the language be left to the language committee. It is so ordered. We will take up at this point tomorrow morning.



MINUTES OF MEETING OF COMMITTEE 1 OF COMMISSION I  
July 6, 1944 10:00 A.M

Purposes, Policies and Quotas of the Fund.

The fourth meeting of the Committee began with a discussion of the report of the Drafting Committee. The revised wording of Article I, Section 2, Alternative c, (p.1b) was considered. This Alternative was sponsored by the Indian Delegation and proposes that there be included in the purposes of the Fund: "to assist in the fuller utilization of the resources of economically under-developed countries".

Professor Robbins of the United Kingdom said that he believed the ideas of India could be adequately met in a preamble covering the whole work of the Conference.

Mr. Nash of New Zealand said that there were three objectives that should be kept in mind if the Fund were to be successful. These are:

1. The expansion of trade
2. A fuller utilization of resources
3. A better distribution of real income

These objectives should be fully stated but Mr. Nash agreed that he would be satisfied if they were covered in the preamble.

Mr. Melville of Australia agreed with Mr. Nash.

Mr. Tsiang, the Chairman, said that while the wording was not perfect it was as good as could be agreed upon. He, therefore, suggested that the wording of the Drafting Committee be accepted.

Mr. Chetty of India desired to suggest a new wording.

Mr. Robbins proposed that India reserve the right to raise the question again if their views were not met in the preamble but that in the meantime they accept tentatively the present wording of the Drafting Committee.

Mr. Chetty agreed to this.

Mr. Nash then suggested the words, "unused resources" instead of "productive power" and asked the meaning of productive power. Mr. Tsiang replied that the words of Mr. Nash were considered and rejected by the Committee since they implied capitalistic development.

Mr. Gudin of Brazil said that it was intended that the Fund confine its operations to current transaction, and that there should be a distinction between the purposes of the Fund and those of the Bank. The words "unused resources" implied investment and were more appropriate for the Bank.

Mr. Varvaressos of Greece said that he believed the present wording as proposed by the Drafting Committee was more comprehensive than that suggested by Mr. Nash.

Mr. Tsiang then said that the subject had been discussed to the limit of fruitfulness and suggested that the Committee accept the report of Article I, Section 2, with the understanding that if any Delegation was dissatisfied it could raise the question subsequently.

The report of the Drafting Committee on Article I, Section 3 and 6 was accepted. The Committee also accepted the recommendation of the Drafting Committee that the addition at the end of Article I, Alternative A, p. 1a, which says, "the Fund shall be guided in all its decisions by the purposes set forward above" be included at the end of Article I.

The Committee then considered Alternative H, submitted by Egypt and which reads, "to promote the multilateral settlement of foreign credit balances accumulated during the war".

The representative of Egypt discussed at length the relation of the balances to Egypt's economic position. He outlined the United States proposal regarding blocked balances contained in the July 10, 1943 draft of the Fund.

Mr. Shroff of India supported what the Egyptian representative had said and made vigorous presentation of India's economic problems. He read from the earlier United Kingdom plan for a clearing union. He said that it was his desire that the Fund provide at least some machinery for converting a portion of the blocked balances into liquid form.

The Polish representative took exception to Mr. Shroff's position and pointed out that Poland had debts due from Germany but did not consider it appropriate that the Fund be burdened with these balances.

Professor Robbins of the United Kingdom replied to the representatives of India and Egypt saying that his Government recognized the seriousness of the problem and was not unaware of the cost of the war to these countries both in blood as well as in material resources. Nevertheless, he said the Fund should not be asked to settle this stupendous problem and the United Kingdom had a fixed objection to burdening the Fund with it.

Mr. Goldenweiser supported Professor Robbins, saying that the United States was fully aware of the difficulties of the countries owning the balances. We were slightly embarrassed, he said, by an earlier attempt to solve the problem before we had given it really mature consideration. He called attention to Article V, Section 1, p. 21 on capital transactions which provides that while the Fund's resources are not to meet a large outflow of capital, it is not intended to prevent the use of the Fund's resources for capital transactions of reasonable amount. To go beyond this, however, he said, would be unwise. Therefore, to refer to war balances and to imply that the Fund might facilitate a solution of the problem would be misleading.

Mr. Istel of France agreed with what had been said by Professor Robbins, Mr. Goldenweiser and the Polish representative. He said that France, like Poland, had debts due from Germany but was not asking the Fund to help in their liquidation.

Mr. Tsiang said that China was also in this position. The Chairman then suggested that with reference to Alternative H, the Committee report this Alternative, together with the sense of the discussion to Commission I. He then turned to the Agenda on Document F.1 and referred to Article II, Alternative A, Section 6,

(p.4) dealing with payments when quotas are changed. This was accepted without discussion.

The discussion then turned to Alternative B, (p.4a) which has to do with reduction in gold payments by countries which have suffered from enemy occupation and hostilities.

The Chairman also read Alternative C which is a variation of Alternative B.

The representative from U.S.S.R. Mr. Morgov, read a statement of the Russian position on this proposal. Baron Boel of Belgium agreed with the proposal but disapproved of the feature that the reduction should vary according to the amount of damage. He said this would require the Fund to evaluate the damage for each country. All countries damaged by enemy occupation, he said, should be treated alike and should have their gold payments, under this Alternative, reduced by 25 percent, namely, 75 percent of the amount that they would otherwise pay.

Mr. Tsiang said that this question was related to that raised by Czechoslovakia regarding the date of payment, and which had been referred to the ad hoc committee. The present problem, he said, has to do with the amount of payment. He said that this should also be referred to Commission I. There was no dissent.

Mr. Tsiang then took up Article IX, Section 1, (p.38) which has to do with the obligation of member countries not to buy and sell gold at a price which departs from parity by more than a prescribed margin.

Professor Robbins said that Committee 2 had questioned whether Article IX should not be considered by them. He suggested a joint session with Committee 2.

Mr. Tsiang said that he had talked with Mr. White, Chairman of Commission I and informed him that Committee 1 did not object to a discussion of this subject by Committee 2. Mr. White informed Mr. Tsiang that a joint committee might be appointed on this question and that Committee 1 should proceed with its assignment.

Mr. Tsiang said that Committee 1 was, therefore, required to continue with its assignment.

In response to an inquiry as to the meaning of Section 2, which was missing and to be inserted later, Mr. Goldenweiser replied that he had no information.

The Committee then considered Alternative A, Section 2. The representative from Czechoslovakia enquired as to the meaning of the words, "from or to the monetary authorities" in the sentence which reads, "no member country shall buy or sell gold from or to the monetary authorities of another member at prices", etc.

Mr. Goldenweiser replied that it was intended to deal only with governments and that since monetary authorities vary from country to country the language was in general terms.

The Netherland representative asked whether the language was intended to exclude transactions with non-member countries.

Mr. Goldenweiser replied that the intention was merely to require countries to stay within the specified margin in their transaction.

Mr. Tsiang referred the question to the Drafting Committee and turned to Section 2 on page 39, paragraph (a) which deals with maximum and minimum rates for exchange transactions.

Mr. Nash of New Zealand questioned this phraseology and feared that the wording implied the Fund had the right to fix rates as distinct from specifying the range.

Mr. Goldenweiser said that the intention was that the Fund merely fix maximum and minimum points from parity, parity being determined in accordance with other provisions.

Mr. Nash suggested this be referred to the Drafting Committee since the wording was ambiguous. He agreed, he said, with the substance as explained by Mr. Goldenweiser.

Mr. Carbo of Ecuador inquired whether it was possible to fix identical percentages for all countries. He believed that the prescribed variation should vary.

The Netherland representative referred to the place in this section regarding the percentage of variation. He believed the amount of variation should be discussed.

Mr. Goldenweiser said that the spread should take into consideration such things as cost of transportation and other items which were included in the familiar gold points under the old gold standard. He said that the range would be determined for each rate within the prescribed range.

Mr. Tsiang referred the question to the Drafting Committee. He then took up Article IX, Alternative A, Section 3, paragraph (b), p. 39. The discussion turned to the last sentence of this paragraph which says, "A member whose monetary authorities in fact freely buy and sell gold within the prescribed range, shall be deemed to be fulfilling this undertaking".

Mr. Goldenweiser explained that the country was under obligation to see that its rates did not vary beyond the allowed amount and that buying and selling gold would be the more usual method of accomplishing this.

The Peruvian representative said that some countries could not sell gold but could merely sell foreign exchange.

Mr. Tsiang referred this question to the Drafting Committee.

The Committee then considered paragraph (c) of the same section which deals with the obligation of a member to prevent violation of exchange regulations of other members.

Mr. Goldenweiser said that the intention was that a country would agree to attempt to cooperate and not to tolerate violations of other members authorized regulations. Legal technicalities, he said, were involved and suggested that this be referred to the Drafting Committee. This was done and the Committee was asked to postpone its consideration of this paragraph until Committee 2 had completed its consideration of matters relating to this question.

The Committee then considered Article IX, Alternative A, Section 4, (p.40) which refers to the obligation not to impose restrictions on current transactions.

The Czechoslovak representative asked if there was any attempt to define the meaning of "current international transactions".

Mr. Goldenweiser replied that this was being done along with the preparation of definitions of other subjects. Considerable discussion took place as to the precise nature of the exchange control which member countries obligated themselves to eliminate under this Section.

Mr. Varvaressos of Greece said that this section did not prevent exchange control for purposes other than current transactions.

Professor Robbins said that there was confusion between the institution, exchange control, and policies of exchange control.

Mr. Nash of New Zealand desired that it be clearly stated that control of exchange was not vested in the hands of an outside body. New Zealand desires he said, to be able to control all types of exchange transactions.

Professor Robbins said that there was nothing in the agreement which asked for the abandonment of the institution exchange control and that control of capital transactions was permitted.

Mr. Karpinski of Poland referred to the absence in the present draft of earlier provisions on this question.

Mr. Goldenweiser said that Committee 2 is discussing the question of the rights to control capital movements and that there is an understanding that control of capital movements remains with each individual country. He suggested that this question be referred to Commission I with the request that there be elucidation of the extent to which control may be exercised. The question would then be referred back to this Committee or to Committee 2.

Mr. Melville of Australia said that he felt it was clear that the intention is to prevent restrictions on exchange transactions which interfere with imports or with the payment of interests and dividends.

Mr. Tsiang referred this to Commission I.

The meeting adjourned.

## Discussion in Committee 1 of Abnormal War Balances

Delegate from India:

This proposal found place in earlier drafts of the scheme of international monetary plan and it was a feature to which the utmost importance was attached by certain countries. That feature has now been omitted from the Joint Statement and as far as I am aware there has been no explicit indication of the reasons for omitting it. I have no doubts that those reasons were important. At the same time it is impossible to exaggerate the importance which is attached to this problem by the countries directly affected. Indeed it may be said that it is difficult to conceive how a monetary plan for post war international relations can be drawn up without any attention whatever being paid to this extremely large and urgent problem. We recognize that the problem may have attained such dimensions that it would not be susceptible of complete handling through the medium of an international monetary plan of this kind. At the same time it is difficult to accept a complete exclusion from the scope of the plan of any provision whatever for facilitating the treatment of this problem. It is conceivable that arrangements may be made - arrangements of a bilateral nature which would impinge on the operations of the Fund and it may be urged that the Fund should be include provisions which would recognize arrangements of that kind and enable some advantage to be taken of the existence of the Fund by the participants in such arrangements. I do not think Mr. Chairman, that the subject could be completely disposed of in the course of discussion in this committee as it is a matter of great substantive importance to the countries concerned and therefore I merely confine myself to stating the nature of the proposal and the reasons for it.

Delegate from Egypt:

The Egyptian delegation has presented an amendment similar to the one presented by the Indian delegation but it was not presented in good time. It reads as follows:

(Proposal read)

It is similar to the Indian proposal but it is more acceptable because the term "multilateral" would permit the countries concerned to deal in foreign currencies, and it seems to me that it is more acceptable. A similar resolution was adopted by the monetary conference held in Cairo last April and was supported by the Indian delegation.

Chairman:

I am informed that the amendment of the Egyptian delegation is being printed and will be circulated among members of the Committee as soon as printed. Any further discussion to Alternative G?

Dr. Goldenweiser:

Mr. Chairman, I am afraid I am taking too much of the Committee's time but it behooves me to some extent to explain the origin of the various proposals and of the changes. In the first place I should like to say that I agree that the matter is so fundamentally important that it is not likely to be disposed of in the brief session of this Committee today. The delegate from Egypt referred to the fact that in an earlier draft published last year there was some reference

about it. I am not at this moment in a position to say why it was included in the draft but I am in a position to say why it was excluded from the following draft. As the study of this subject proceeded it became perfectly clear that a machinery that was charged with the duty of facilitating exchanges based on current rate in the post war world would have as much a load to carry as any human institution would be expected to carry and if that new experimental machinery which we hope to fashion here were to be loaded with the duty of helping to pay off previously accumulated indebtedness it would certainly have a much less prospect of success and survival. As Sir XXXXX indicated, the amounts involved are so great that they far exceed the entire operation of the Fund. The Fund could only make very small inroads on that problem and might very easily in the process be robbed of its ability to serve those purposes. Pre-war indebtedness and indebtedness during the war present problems which need entirely different treatment of adjustment of arrangement and not a question of current exchanges which arise out of current rate which is the purpose of this Fund. I join with Sir XXXXX, the gentleman from India, that with the voicing of two views on it, it would be best to have this section remain unacted upon even tentatively because it would be best to consider whether or not it would fit into such plan as will evolve out of the other section of the Fund and particularly out of the work of Committee 2 which it has with operations of the Fund.

Delegate from Norway:

I think that this rather serious stage by Dr. Goldenweiser made a certain impression on us all. There will not be anyone of us who wish to add too heavy a burden to the Fund. But when the idea originally had its origin to give certain references in this draft to all the blocked balances and to war indebtedness it was because those are facts which are found when the Fund begins to work and in certain way there might be important arrangement which at the same time would be agreeable to the Fund and to the countries involved. Now, I think it might be a way out of this dilemma to refer this question to Commission 3 which has to do with recommendations because that might be a resolution concerning this question taken by the conference without it being necessary to include it in this chapter and there is one reason more for this - when we now formulate the policies and purposes of the Fund we give a fundamental law which may be in effect for hundreds of years while these blocked balances and normal war indebtedness I hope will not be with us too long. I will, therefore, suggest that this question be referred to Commission 3 for the recommendation  
Committee  
that this be considered in a most serious way.

Chairman:

In connection with the suggestion by the member from Norway I would like to call attention to the fact that Committee 1 is a constituent part of Commission 1. The proper procedure would be to report to Commission 1 with the suggestion that this section might be referred to Commission No. 3. Whether Commission 1 will be willing or not to refer this matter to Commission 3 is up to Commission No. 1. That is a matter of procedure. The main suggestion is that this Alternative G might be

referred to Commission No. 3. Delegate from France:

Mr. Chairman, it is my impression that any suggestion mentioned to facilitate the settlement of abnormal indebtedness, whether arising out of the war or other purposes, is not the purpose of the Fund. The Fund is established for current business and will have sufficient opportunity if it gets stuck with its loans to have abnormal indebtedness to deal with, but it should not start with abnormal indebtedness. Therefore, I agree with the suggestion to be proposed to Commission No. 1 to refer it to another organization.

Delegate from the United Kingdom:

Perhaps I should say one or two words making clear the United Kingdom's position. We agree with the view which was taken by the delegate from India in his very temperate remarks that this is a most important problem. We are anxious to find a solution to this problem but we are not able to agree with you that this is a problem which it would be right to refer to the Fund. We agree with the admirable remarks made by Dr. Goldenweiser that it would be an unfortunate thing if the Fund which is created to facilitate current business were to start on its career waterlogged with the stupendous heritage of the past. We believe that this is a problem which can best be settled by discussions between creditors and debtors and for that reason we should not ourselves be ready to support its reference to any part of this Conference.

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Delegate from Brazil:

If we do take into account the present purposes of this Fund and the Fund is largely based upon facilities for payment between countries for goods will it not be inevitable that countries meet the war commitments would have to lean further on the Fund and use the Fund more, so it is inevitably tied up with war debts although I am in accord with Dr. Goldenweiser that we might jeopardize the good work that could be done in this field by adding another purpose - yet it is inevitable that countries having war indebtedness will have all their transactions with this Fund affected by the extent of their indebtedness and having to meet its needs - and yet I agree that it would be unfair to the Fund to include the load of war.

Chairman:

Is there any further discussion? In view of the opinions expressed at this point it seems to me to be proper to suggest that this Committee refer this matter to Commission 1 without any suggestion as to its future dealings. Will that be acceptable to you all?

Delegate from Guatemala:

It is my belief that it would be necessary to take the matter of this important question in some of the commissions of the Conference and it seems that if this Committee only referred to its own Commission the matter without any comment it probably would not be treated fairly. As very well stated by Dr. Goldenweiser and the other gentleman who has spoken before me the war indebtedness is a problem really connected with the matter we are dealing too but it is entirely agreed it seems to me that inclusion of this matter in the



purposes of the Fund will really be a danger for the correct functioning of the Fund. For this reason it seems to be advisable that the Conference will deal with the matter but entirely outside of the Fund and perhaps in this connection it would be advisable that the Committee refer to the Commission as Mr. Chairman suggested, but suggesting at the time that this question be turned to Commission No. 3 which is supposed to take into consideration all the other financial measures which would be necessary for the post war arrangements.

Delegate from the United States:

I move that the Committee adjourn.

The Chairman:

A motion is made that we adjour, but before we adjourn I want to announce - this morning you remember it was moved and passed that we have a drafting committee. I appoint - I ask the following delegations to furnish members for the drafting committee - Australia, Brazil, Czechoslovakia, United Kingdom and the United States of America. The reporting member and the secretary have the right to appear with other members of the Committee. Any delegation whose proposal is referred to the drafting committee may send somebody to appear before the Committee to explain its proposal. This Committee will meet tonight at 9 o'clock in Room A and the member from the United States will be the chairman of the Committee. I wish also to call attention to this fact, that we have almost finished article 1 and the six sections but will you please notice Alternative A - there is a slight modification in language. The purposes of the International Monetary Fund are, (etc. as read). "The Fund shall be guided in all its decisions by the purposes set forth above." Now if the committee has no objection I will ask the drafting committee to consider this sentence.

Delegate from India:

I understand the drafting committee is considering Alternative C on page 1B. Is India delegation to send one representative?

The Chairman:

I have already discussed this. - Yes.

Adjourned.

L. Hendershott.

I feel some doubt if I would be able to participate in the scheme where the Directors are not essentially \_\_\_\_\_ on account of the difficulty of distance. I think it can be particularly difficult as mentioned by Mr. L \_\_\_\_\_, namely the consideration within two days on the application of a member country who vary the rate of exchange by ten percent. I find it difficult to see how the General Manager can anticipate this and get the information in time to the Executive Director representing India at the headquarters of the Fund. It is true that the scheme of alternatives may mean a difficulty but I think it would be preferable to have the Executive Directors in residence at the headquarters of the Fund and that it could be said for the suggestion that these Executive Directors need not necessarily be either the Governors or their Alternates, as the representative from the United Kingdom said, that it would give us a wider field of experience on which to draw.

Delegate from \_\_\_\_\_ is recognized:

May I ask you for a few minutes to explain the matter of permanent residence. Generally, I think that even in the earlier stages the urgent decision should be an exception, for the following reason: Whether it applies to the ten per cent consideration or the 25 per cent excess, or the difficulty of exchange control over borrowing, I cannot very well conceive that if the Fund's business is run in the way it should be run that these things would happen over night. I cannot very well conceive that a country that is running its business well would over night find itself faced with the necessity of getting more than \_\_\_\_\_ per cent of its quota. Exceptional cases might arise, but especially when both the Fund and the country are running their business well they should generally see a little ahead and everybody knows, who has seen all these sort of developments, and it is exactly when you have people who are taking part in the monetary life of their countries that they see them coming.

Now, one can mention that in the earlier stages there would be so much to be discussed that a monthly meeting would not be enough. Now what I think important here is that a continuous residence should not be forced upon the Fund because if you talk about continuous residence it is quite impossible that the man who is a Director should have some sort of function in his own country. What would be a much more sensible solution, and welcome to anybody participating, is that many of the people who were Directors of the Fund were people who had all their time available for the Fund but would at the same time be in a responsible position in their own country. The major central business would have, during the early periods after the war, one of the Directors could be a Deputy Governor who had given most of his time to the business, and I don't see any objection to this man being at headquarters all the time, but I would not force the Fund into a situation where the man having to be in residence there could not possibly be a Special Deputy General of his special bank. I don't see any use in putting so strictly into the statutes that even when times become more normal -- it would not be more necessary -- That is the only explanation because it seems to be the impression that if you do not have the forced residence it would be impossible to give important decisions. Continuous residence is not always a guarantee for big decisions.

CHAIRMAN: The delegate from Belgium, Mr. Gutt, has the floor.

MR. GUTT: We are going to adjourn in a few minutes, but before that I think it would be necessary for us to know exactly where we stand. We have been lately discussing the statutes of Executive Directors. We have been discussing their personality and whether they would have to have a permanent residence. I am leaning in that regard on the side of the delegate for the Netherlands and for the United Kingdom, but this was part of the discussion of the beginning of Alternative A and Alternative B. And in the regard I want to refer to the motion of the delegate for Canada. Those two beginnings on A and B include several questions, raise several issues amongst them for preliminary ---- that is so the number of delegates, the number of permanent delegates -- the way in which the number of permanent delegates are to be elected and possibly the way in which they are going to vote. In that regard there has been two motions, as far as I understand, one which I supported coming from the delegate from Canada asking that this matter be postponed until the questions are reported. The second coming from the \_\_\_\_\_ delegate, and proposing that this question be referred to a sub-Committee which would have to get in touch with the Committee for quotas and report when we are better posted about the work. But I would like to know which of these ways is chosen.

THE SECRETARY: Gentlemen, not all delegations have given the names of their principle delegate and country to the Secretariat. As I understand it the Commission will probably meet tomorrow morning and there will therefore not be a meeting of this Committee. Will you want a meeting at 4 o'clock tomorrow afternoon -- therefore the Committee will meet at 4 o'clock tomorrow afternoon in continuation.

CHAIRMAN: The session is adjourned.

July 3.

## Committee 2 of Commission I

Convened at 11:30 A.M.

Delegate Maletin of Union of Soviet Socialist Republics  
presided until appointment of Vice Chairman,  
Delegate Mackintosh of Canada.

MR. MACKINTOSH: As the Chairman said, the assignment of this committee is concerned with section 3 and the following sections of the joint statements and the committee document 1. The first question to be considered by the committee is the sale of exchange. You will find material has been prepared by the secretariat on pages 5 to 7 of the document F-1. This material covers section 3, provision 1, 2 and 3 of the joint statement of principles. If it is agreeable to the committee I would propose that we proceed with the discussion of the document F-1, section by section. The first section of the document for the first section of the joint statement there is an alternative (a) suggestion. The original statement "Member countries shall deal with funds" etc. (balance of statement read) -- is replaced by a slightly revised statement (statement read). The second sentence of the joint statement, we are told, is to be dealt with elsewhere in the document. Is there any discussion of that pure and formal change in wording? Would you propose an alternative wording?

Delegate from Cuba: I do suggest that at the beginning of the paragraph the phrase "except as otherwise provided" should be introduced so that made the other way "For further discussion" alternative (a) page 8 "borrow such currency within that country from some other source" and the phrase "except as otherwise provided" would permit the discussion of this alternative without modifying substantially the clause which has been proposed.

Mr. Mackintosh: I would suggest it would probably be better in dealing with alternative (a) on page 8 - Having dealt with it we might then come back to this clause, if there is any consequential amendment that would have to be made. Is there any other discussion or is it your wish we should pass on to section 2. Under section 2 you have very substantial amendments in alternative (a) and additional amendments in alternative (c) and (b). The meeting is open for discussion of proposals on section 2.

Delegate from United States - Brown:

Alternative (a) which has been proposed by the United States after some discussion is designed to clarify and state the position of the United States of America in regard to the sections of the joint statement 2 (a), (b), (c) and (d). I think everybody here realizes that this is one of the most important sections of the joint statement. The statement as it appears in the joint statement of principles by itself is not sufficient and that the statement in the joint principle represents the compromise

between two points of view, a compromise, which I think everybody here realizes is necessary and desirable. On the one hand everybody agrees that the countries must have access to the Fund. The question is how far that right of access is an absolute right. How far, perhaps I should say, a privilege. The American Delegation of the United States of America recognizes very clearly the difficulties of the problem. They feel the right of access to the Fund is the right of access - must be the right of access subject to conditions. The Fund must in extreme cases and under certain circumstances have a right to point out the conditions that are violated and have some discretion in refusing. The right of access to deal is primarily a right and not a privilege. Regarding this section, we provided this provision in order to give us all the aid in attempting to state the right to the conditions under which that right should be exercised. I do not know how the Chairman will go on with the discussion. I think the discussion will, however, begin with the very first clause and it will probably continue and the separate clauses will be taken up one by one.

Mr. Mackintosh: This is a highly technical section of the document - I refer to the statement of the representative of the United States - Alternative (a) represent to some degree a compromise which when used - I note that in condition 2 of alternative (a) -- shall I state it this way - I note that we have alternative (a) which has some conditions and some rewording of the joint statement. You have also (b), (c) and (d). (b) and (d) are conditions to alter funds, particularly clause (c) of the section. Is it agreeable to the committee that we should proceed to discuss this clause by clause or is it better to discuss section 2 as a whole. If there is no objection I suggest we proceed with a discussion of clause by clause. I note that with respect to 2(a) of the joint statement which is rewritten as 2 (1) of alternative (a), that there is no alternative offered to that particular clause. Is there any further discussion or explanations which any delegate cares to offer on section 2(1) as an alternative. Section 2(2) then - There are Alternative (b), (c) and (d). I suggest we discuss 2(2) taking the alternatives in the order in which they appear in the document.

Delegate from

My I suggest that section 2(2) of the American proposal be reserved until we come to the discussion of scarce currency and then come back to it and proceed to 2(3) which is the same as 2(c) in the original document.

Mr. Mackintosh: I take that to be agreeable to the committee. I am sorry I misstated the situation before. The clause to which there are a number of alternative is Clause 2(c) of the joint statement of which there is alternative (a) as number 2(3), alternative (b) alternative (c) and (d). We are open for discussion on clause 2(c) and the various alternatives proposed to it.

Delegate from France:

Mr. Chairman, is it better to discuss now the amendment (d) or first to discuss the other amendments?

Mr. Mackintosh: I suggest we might discuss them in order - a, b, c and d.

Delegate from Australia:

Mr. Chairman, alternative (b) was proposed by Australia because we felt the limitations on the use of the Fund as contained in the joint statement and as retained in 2(3) do not provide sufficient elasticity in the case of many countries. Certainly in the case of agricultural countries or countries producing a narrow range of raw material and food stuffs. Their balance of payments are subjected from time to time to very great disturbances. The prices of raw materials are notoriously subject to variations and when they fall temporarily the countries affected cannot avoid heavy deficits in their balance of payments. We appreciate, of course, that this Fund is intended to provide countries with working balances that they draw out in some years. They are expected to pay back in other years of others. Of course, if the proposal we put forward is adopted or alternative (d) is adopted it would be perfectly satisfactory as far as we are concerned. We know, of course, that if there is a great deal of liberty permitted to a country than to that extent it will be pledged subsequently to pay back to the Fund a larger amount but we feel that for a number of countries this greater degree of elasticity is essential. It is difficult to discuss this with the absence of a figure for quotas but whatever the quotas will be, some greater degree of elasticity will be needed. Of course it is true that the Fund can any time waive the restrictions but the lenders use of the resources of the Fund - But that would mean, certainly in the case of Australia, that every few years we should have to apply to the Fund for permission to make further use of its resources than was automatically provided by the Fund under the constitution of the Fund and that, I suggest, would not be a satisfactory position for any government or any essential bank to find itself in. It would continually be uncertain whether resources needed to meet a temporary disturbance in its balance of payments would be available to the Fund. It would have to apply to the Fund for permission to use money and comply to the conditions laid down by the Fund. Now we suggest that some greater degree of elasticity is essential to the covenant as provided in (b) and (d) wording of the Fund.

Mr. Mackintosh: I think it would assist in the discussion at this point if the delegate of the French Committee would explain alternative (d) which, is directed to the same point which, as I understand it, is a slightly different method from that proposed by the Australian delegate.

French Delegate:

I wish to state that the purpose of amendment (d) is as much to the interest of the Fund as in the interest of the countries which wish to make use of the resources of the Fund. In the present draft

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of clause 2(c) a country has inducement to use the resources of the Fund in a regular way even though it has not met the specific requirements. The reason is that if a country does not use during the first period of 12 months then during the second and third year the country may not be able to retain the total resources which the country thus doing should be entitled to so that the lack of possible carryover will have the probable effect to increase the amount of currencies which the Fund will hold -- The reply to this argument may, of course, be that countries are not entitled to appeal to the resources of the Fund except for current purposes. But there are a number of cases where a country might think that if it would have a possibility of obtaining the resources which it would require in the future that it would not for the present time appeal to the Fund so that a provision of carryover is something which is very important. In the amendment which has been suggested, amendment (d), there are two points. There is a point of principal. -- Whether a carry-over would be acceptable to others - the second point of the issue is the specific figures which have been mentioned. On the matter of the specific figures, if those figures are considered to be not quite appropriate it would be quite favorable the French delegation would be pleased to revise those figures if the majority of the delegates would think those figures inappropriate - but on the question of the principle, I think it is in the interest of the Fund of accepting that principle. I would just like to mention a very small point which I have already mentioned in Atlantic City that we do not need any more which either complicates the wording or confuses the meaning. Thank you.

Mr. Mackintosh: Is there any further discussion?

Delegate from Norway:

I beg to state that the proposal of the French delegate - I think that the principle laid down in Alternative (d) is much better reading. The French delegate has already forwarded the arguments which I think. The word of the joint statement perhaps might be unjust ---

Russia's delegate:

I believe that the suggestion proposed as supplement (d) by the French delegation is a practical proposal which improves the using of the resources of the Fund. I think this proposal meets practically all the needs of such countries as we heard from the Delegate of Australia are made for the reason of considerable deviations in their balance of payments and credits -- From the other side I think this suggestion shows that the countries will borrow more freely, will more liberally use the resources of the Fund when they actually need that. The proposal in the joint statement is of such character that it can induce the countries to use their maximum possibilities in the Fund and also in these cases when they don't actually need larger resources to assure them against the future needs. Therefore I think that it would be appropriate to support the suggestion made by the French delegation.

Mr. Mackintosh: I am of the opinion that the clause on page 3 of the joint statement by which the Fund can use its discretion to waive conditions provides sufficient elasticity and would take care of the needs of agricultural countries as the delegate from Australia suggested. ---

Delegate from Brazil:

Mr. Chairman there are two questions it seems to me in the suggestion made by the French delegation, one which is less important and which refers to the figures and the other which is more important which refers to the principle which is the carry-over principle. The Brazilian delegation considers it an open question to examine the question of the figures but wishes to give its support to the principle of the carry-over in the type of manner that it be applied in the best interest of the Fund.

Delegate from United States:

I shall speak only on the point that was raised by the Australian delegate. I believe that point has really been answered by others who have called attention to the waiver provisions. The 25% a year limitation is



## COMMITTEE 2 OF COMMISSION I

Auditorium

July 4, 1944, 5:30 p.m.

CHAIR: The Committee will come to order. The Secretary will call roll.

SECRETARY: Australia; Belgium; Bolivia (absent); Brazil (absent); Canada; Chile; China; Colombia; Costa Rica; Cuba; Czechoslovakia; Dominican Republic; Ecuador; Egypt (absent); El Salvador; Ethiopia; French Committee of National Liberation; Greece; Guatemala (absent); Haiti (absent); Honduras (absent); Iceland; India; Iran; Iraq; Liberia (absent); Luxembourg (absent); Mexico; Netherlands; New Zealand; Nicaragua; Norway (absent); Panama; Paraguay (absent); Peru; Philippine Commonwealth; Poland; Union of South Africa; USSR; UK; US; Uruguay; Venezuela; Yugoslavia.

CHAIR: Before turning to the agenda there are one or two matters on which I would like to say a word. In the first place, the Acting Chairman was at more than one disadvantage this morning in not knowing what if any effect this microphone had on his voice and I would be very glad if the members of the committee would inform me if at any time I cannot be heard. In the second place, there were certain questions of procedure raised at the end of this morning's session on which I think we should have some discussion and a meeting of minds. It has been understood through earlier conferences, the heads of delegations that committees would not proceed to formal voting but that they should use every means to try and reach agreement to clear as many of the problems as possible before reporting differences to the commission. I take it it is the wish of the committee to follow procedures which will achieve that as far as possible. One practice which has been developed in other committees which I think might be considered by this committee is to authorize the Chair to appoint a small drafting committee to which might be referred proposed changes which do not involve changes in substance and, secondly, points on which it is the view of the Chair with the concurrence or at the suggestion of the committee, points on which it is thought that the real differences can be adjusted and an accommodation reached in a rewording of the Alternative. It would not be part of such a proposal, I would think, that we would burden a drafting committee with questions on which there were real and firmly-held differences of opinion. Further in the matter of procedure I think that we might proceed by having the Chair take Alternative steps following a discussion, or in the divert ? of discussion, the Chair might well state that there seems to be a consensus of opinion and in divert of any objection the reporting delegate would so report. If there are objections which are not held by many representatives but only a few, it would be open to the Chair to say that if so desired those objections could be recorded by the reporting delegate. Where on the evidence of the discussion or on the stated objectives of members of the committee it is apparent that there are real and substantial differences of opinion which have not been reconciled, the Chair should

state in its view there are such differences and the reporting delegate should so report them to the commission unless there is any suggestion from the Committee as to means by which the differences might be reconciled, either by consultation among delegations, by appointment of special subcommittee, or by any other device which members of the committee care to suggest. The Chair will always be open to suggestions for any step which will avoid stating differences unnecessarily. Though I make those suggestions from the Chair I would welcome any brief discussion of them if there is any accord for them. I would entertain a motion for the drafting committee.

NETHERLANDS: Mr. Chairman, the meeting this morning was especially to make sure that procedures should be followed [the member stated also that discussions should be postponed and the procedure presented by the Chair was practical].

UNION OF SOUTH AFRICA: I have only one comment to make on your excellent suggestion and that is the name of the body to which you propose that these verbal questions should be referred. Looking ahead I think there is some slight danger of misunderstanding if we think of this small body as a drafting committee. It seems likely, sooner or later, if things go well with us, all these conclusions which these committees and commissions arrive at will have to be looked over by lawyers to see that they make sense and are consistent. These things have already been through a drafting committee and therefore sacred. The sort of committee I believe you have in mind is a committee on language, call it an asterisk committee because it is the asterisk paragraph referred to.

CHAIR: Is there any motion for the appointment of an asterisk committee?

SOUTH AFRICA: I propose ---

NETHERLANDS: Second.

CHAIR: It has been proposed by the representative of South Africa and seconded by the representative of Netherlands that a committee be appointed. I take it a committee named by the Chair to deal with the changes in wording of the various proposals particularly those paragraph proposals which are marked by an asterisk, we can call it, if you wish, a "wording committee" or we can call it simply a drafting committee.

MEMBER: Language committee !

MEMBER: Grammatical committee !

CHAIR: Is there any discussion of the proposals? If there is no objection, I take it that it is agreed that the Chairman should appoint such a small committee for this purpose. It is so ordered. Is there any further discussion? Is there any discussion on the remarks which the Chairman made with respect to procedure? If not, we might turn to the agenda. May I say just a word on the discussion this morning. I am

afraid that I did not make clear that it was in respect to the alternatives proposed by the Australian delegation and the Delegation of the French Committee that it appeared clear to the Chair that there were wide differences of opinion firmly held and that it was not possible in the discussion in this committee to reach any reconciliation of them. I did not wish to close off the discussion but the view seemed to me on both sides to have been fully stated and at the time of the adjournment no progress was being made in any reconciliation of those views so that I could have taken it as a result of this morning's discussion that the differences in view would be fully recommended by the reporting delegate.

The next item on the document which we have before us was paragraph 4 of section 2 to replace in part paragraph (b)? of section 2 of the joint statement. (d)

NEW ZEALAND: Mr. Chairman, may I raise a question arising out of 2, before we pass away from it. This question was not discussed this morning. In the joint statement the change is contained then also in the alternative paragraph 2a (Reads paragraph 2a on page 6) - the words "member represents that", I am not sure whether those words are set there for a full purpose or whether it is in the drafting. It is intended that it should be an open fund or is the Fund to have any say in the question whether that currency is, as a matter of fact, required as the member represents it.

CHAIR: My own understanding is that the words are of substance but if any member of the committee wishes to explain the words further I would be glad.

BROWN (US): Mr. Chairman, the statement of principles used the words "the member represents that the currency demanded is presently needed to make payments...." The same language is continued without any change except to add the words "of currency" and the insertion of the words "provisions of this agreement" as I tried to explain today. We all realize that a country has a right of access to this fund and if the fund isn't (is inclined?) to go broke in short order that right has got to be conditional. The representation is made that unless it is obvious that the currency is demanded for some other purpose it would be necessary that the Fund accept a representation. I should imagine, although I should hope it would never arise in the civilized nations. Sometimes under a government, not in effect, a representation would be made which would be so flagrant and false the Fund, on its face, would see that it was false and in such case I should say that the Fund would either have to say that the representation was false, I can scarcely imagine such a case arising, if however, a nation that made false representation regarding money, it might be the ground for the Fund, the next time the nation came to the Fund, to make a very careful investigation. We are faced with the fundamental difficulties of reconciling the extreme idea of absolute and complete right without restriction and the other idea of coming to this Fund as the privilege similar to a broker going to a private bank. It is possible to accept either of those theories and we think this language is the right subject and condition to represent the best compromise possible between the two. I tried to explain that.

CHAIR: Does that answer?

MEMBER: The contrast between this particular draft which puts the judgment on what are the purposes of the Fund in the hands of the members and other portions in the texts where are such words as "other expressions of the opinion of the fund"? This is neglect of the moment, the only case where the judge of the purpose is not the Fund but the member. And that is why it struck me that possibly it may not be the intention to make an exception in this particular case. What is the general rule? I myself would feel that the text would be a very much more closely shorn one and a more direct one if the wording here suggest that he read passage beginning with "currency demand at least...".

NETHERLANDS: I think, if I may say so, we have good reason in this particular case for exercising the discretion of the member. If these rights are to be of real help and comfort to the nations concerned, it is surely necessary that on occasion they should be exercised very quickly and that a central bank which is going to use these rights should be able to present its demand on the Fund and expect them to be honored at very short notice, and immediately. It mustn't be left in doubt as to whether it is going to be kept in doubt days, weeks or months, waiting for its money while an argument takes place and their wondering whether the money is really needed or not. I think that is in itself sufficient reason for the slight difference in emphasis which the delegate from South Africa has pointed out. There are, of course, elsewhere in this document provisions for the Fund to get its loan back by a \_\_\_\_\_ if a member is caught in the act of behaving improperly, flagrantly or dishonestly. I think it would be better to leave it at that and place the emphasis here when it is placed on the ability of the member in this case to get the money quickly on his own representation that he is entitled to it.

CHAIR: I think that as we are here to answer a question and not reopen a discussion on a clause which has been accepted this morning that that probably meets the question of the representative of South Africa.

SOUTH AFRICA: I will not question the matter any more, sir.

CHAIR: With reference to Alternative A, section 2, paragraph 4, you will notice a change that has been made from the Joint Statement is that the referred to suspension has been transferred to a later section -- a new section 3 -- and that what is set forth in section 4, Alternative A, adds nothing of substance. On that basis the committee may be willing to agree to section 4 discussing the proposed new section 3 which contains the substance of the changes. Is the committee agreed to that suggestion. I take it that it is agreed.

There is then also in Alternative A, a sentence added following the numbered paragraphs. The first sentence which is changed in only very slight detail "The Fund may, in its discretion, and on terms which safeguard its interests, waive any of these conditions." Added, "In special circumstances, where the Fund considers it necessary, it may require

collateral security as a condition of such waiver." Is there any discussion of that proposal? If there is no discussion may we take it as agreed that those sentences of Alternative A are acceptable to the committee? Agreed

CHAIR: (cont'd): The next proposal is under Alternative A and is for the addition of a wholly new paragraph, numbered here section 2a. "Conditions Governing Purchases for Capital Transfers". It reads that (reads 2a, pages 6a and 7). I take it the footnote indicates some uncertainty as to the correct percentage to insert in the last place and some willingness to adjustment. I would ask the delegation responsible for the proposal to explain it further.

CANADA: Mr. Chairman, this proposal is designed to enable the countries which have not been net purchasers of exchange from the Fund. Those countries which have not used the Fund's resources, to buy exchange from the Fund for any purpose including a capital transfer. I take it there is general agreement that the primary purpose of the resources of the Fund is to facilitate current account transactions. This is stated by implication at several points in the joint statement and it is stated explicitly in V, paragraph 1 of the printed text which reads: "A member country may not use the Fund's resources to meet a large or sustained outflow of capital, and the Fund may require a member country to exercise controls to prevent such use of the resources of the Fund." I think that it could also be argued that it is stated by implication in paragraph 3, 2a of the printed booklet which reads: (here reads that contained on p.2 of the Joint statement of experts on establishment of the International Monetary Fund). Since the purpose most relevant in this connection is purpose 5 on page 2 (reads this), I think that it is beyond dispute, Mr. Chairman, that the main purpose of the resources in the Fund is to facilitate current transactions but it has appeared to some of us who have studied this problem, the problem of the restrictions that should be placed on the access of creditor countries to the Fund, that so long as a country is not making net use of the Fund's resources that is to say in terms of this document so long as the Fund's holdings of the currency of a member are not less than 75 percent of the quota of that member, there is no disadvantage and on the contrary an advantage in allowing such a member to purchase exchange from the Fund for any purpose including capital transfers on certain conditions and subject to certain safeguards. If a country's currency is held by the Fund in amounts under 75 percent of its quota, that country -- I think we can take the hypothesis -- is a creditor country with a favorable balance of payments on current account. Anything that that country can do to increase the world supply of its currency is to the general advantage of the community. There therefore appears to be no reason subject to qualification which I shall introduce later, why that country should not buy exchange from the Fund for capital purposes. If it does, in other words, why it should not be able to use mechanism of the Fund to lend abroad. If it lends abroad, outside the mechanism of the Fund, there is no positive assurance that the domestic currency which it places at the disposal of the rest of the world will find its way in whole or even in part into the coffers of the Fund. That will depend on the situation of the countries to whom the loan is being made. Therefore the underlying thought in this proposal is that the countries which have not used the resources of the Fund should not be used for capital purposes. Obviously, it would be against the general interest if countries, as a result of purchasing exchange from the

Fund for capital purposes precipitated in any degree a scarcity in the Fund's holding of the currency which are being required, that would be contrary to the interests of the community as a whole as well as contrary to the interests of the country whose currency is being required under the circumstances. That explains the proviso at the end that this procedure must not reduce the Fund's currency purchases below 75 percent of the quota of the member whose currency is purchased. The Chairman has referred to the three figures mentioned in the footnote at the bottom of the paragraph and they do indicate, indeed, a certain flexibility of mind as to the precise figure to be inserted. My own view, the figure should be like 60 percent. What one wants to avoid is a country which is initiating such a purchase of currency scarcer than its own in the Fund. This provides however that the Fund's holding of such a currency must remain below 75 percent over a six-months' average on the level, so that by the time the country could utilize that right the Fund's holdings would be something like 60 percent. On the other hand, I understand that from private conversations with some delegations, there are some delegations who are approving the general principle of this taking the view that the figure should be 75 percent which would necessarily produce a situation under which currency which the Fund was getting was less scarce than currency the Fund was giving up. It would seem to us, Mr. Chairman, in using the Fund for capital purposes, one must avoid any suspicion or any thought of acting in any way that could be injurious to the Fund itself or to the rest of the community and notwithstanding our original desire to have the figure of 60 inserted, we are quite prepared to agree to a form of words which would leave the same figure of 75 percent in both cases.

CHAIR: Any discussion.

BROWN (US): Mr. Chairman, I would like to state that in behalf of the U.S. delegation we think this section proposed by Canada is an excellent section one which helps the Fund to work more efficiently. We believe 75 percent of the currency purchased should be retained and not reduced to 60 percent. One other comment. We feel that when the happy day comes when the agreement on every disputed principle is in the hands of the lawyers (here mentions Professor Robinson?) we think this particular section of 2a might more appropriately fit into some other article of the agreement.

CHAIR: Any further discussion.

NEW ZEALAND: In view of the fact that this provision now under discussion is contained in a separate clause, I am inclined to doubt whether it is sufficiently clear whether the facilities provided by that clause cannot be undertaken if the currency in question has been declared scarce. In the previous clause it is provided; that a country may obtain another currency for its own currency provided its own currency hasn't been declared scarce. Should that provision also be included in this clause?

CHAIR: Any comment on that?

CANADA: I think that point raised by the delegate of New Zealand is in fact covered by the reference to the fact that purchases for this purpose must not reduce the funds holdings required below 75 percent. It would only be

inconceivable contingent that the fund would(?) declare the currency scarce at shall(?) a time when the Fund's holdings of that currency amounted to 75 percent of the quota of that country that the situation raised by the delegate of New Zealand would arise.

CHAIR: Any further discussion?

CZECHOSLOVAKIA: In the first part of the section it is stated that as long as a currency has remained below 75 percent for not less than 6 months, then the second part states "currency of the other member ..." but does not state whether it applies also of the one would 75 percent, should be calculated it seems to me for reasons of safety. It should be a set period during which currency would remain at least about 75 percent. Another one, I wonder whether this provision is certainly very good, should be introduced immediately or whether we should not wait and see how the whole Fund will operate. My third remark is whether in such a case when a member country buys currency of another country should the country be asked to give its consent.

CHAIR: Any comment?

GREECE: May I ask, Mr. Chairman, if in case that the country has control on capital transactions does this paragraph here affect the control of a country. Is a country which has imposed a control to determine the capital transaction. Is this country affected by this clause.

CHAIR: I would welcome assistance.

CANADA: I don't see why it should be, Mr. Chairman, if a country has control of capital transactions that control is not necessarily a complete prohibition of all capital transactions and it may be that through the facilities provided in this way such a country would permit capital transactions to take place which it would otherwise prohibit. I wonder whether I might refer to points by delegate of Czechoslovakia, while I am up.

The first suggestion that he made was that not only should the currency of the country which is purchasing exchange for capital purposes have remained below the level of 75 percent over a period of 6 months, but also that the currency of the country which is being purchased should have remained above a 75 percent level for 6 months. That does appear to me, Mr. Chairman, to be going an unnecessarily long distance to undo the effects that we are seeking to obtain in this clause. If a currency has remained above 75 percent level for 6 months, then by definition that country has been a consistent net purchaser of the exchange from the Fund, because the Fund begins by holding, forgetting for the moment, the complications that may arise by the fact that some of the initial subscriptions may not be 75 percent but a higher figure. The Fund begins by holding 75 percent of currency of each country. Now the Fund, having held 75 percent of the currency of each country over a period of 6 months, has plenty of the currency of that country. There is no danger involved to the Fund in getting back to the position in which it originally started. If I pointed out in introducing this proposal, the practical working of it, under the present formulation, would necessarily be that the currency that is being supplied to the Fund is scarcer than that obtained from the Fund, and why one should set up restrictions making it impossible for others to come to assistance of the Fund in supplying it with their currency. Don't see why those restrictions should be necessary. The same comments apply to transitional period. If in the course

of the transitional period the Fund supply of any particular currency does become scarce, not in a technical sense, under which provisions of placement would come into operation but then this clause would not come into operation at all, either during the transition period or at any time. The third point on the consent of the country required, I think, is unnecessary and from some point of view, objectionable. What one is seeking to establish here is definite provisions that countries will be able to count on, barring misbehavior, and on which they will be able to base their plans. The introduction of the consent of the country on whose currency is being acquired does mean that no country will be able to count on the operation of this provision and I should have thought that interests of the country whose currency is being acquired is adequately safeguarded.

GREECE: I am sorry that I must repeat my original question. I agree that this provision is very useful and might be helpful both to the country and to the Fund. I am afraid that the unlimited right of a member country to purchase local currency from Bank of another country over and above 75 percent of the holdings of a country might be against the interest of the country and the purposes of the Fund. What is the real object of the Fund? It is, in my opinion, to collect the different subscriptions and to accord facilities in order to promote the best growth of trade. If a country, over and above the original contribution, has made use of facilities of the Fund, has paid to the Fund its local currency in a prior foreign exchange, this country has a right to expect that this local currency would be used by other countries on current account for the purchase of goods for payment of services which will be considered as capital account. If this country, without its consent, must accept that this currency will be utilized by other countries for investments, it is not quite in agreement with the Fund. It is the general feeling that this clause is a useful one. I should think that the limit should be set somewhat above the 75 percent, and then to come to the other alternate, that the holdings of this council are not below 100 percent.

CZECHOSLOVAKIA: I propose the following problem. According to the Fund, a country is supposed to accept its local currency for all payments on current account. It is not obliged to accept them on payments for capital income, as Mr. Varvaressos stated, and asked whether capital incorporations will not be transferred by this clause. I understood by the answers that he gave he agrees with this interpretation, then we can see that the local currency held by the Fund which could be freely used for all kinds of payments and transactions would not be beyond import capital control if used for the import of capital.

CANADA: It is obvious that I misunderstood Mr. Varvaressos' questions. I had in mind the country which was exporting capital and not the country which was importing capital. Dr. Basch referred to imported capital. There was nothing in this proposal which would, in any sense make it necessary for countries to change such regulations which they may have respecting imported currency. If any country wishes to take the position, - though I can't think of a single example of a country that has taken this position -- that it requires to get foreign exchange -- willing to accept local currency for its exports of goods by foreign exchange of its exports of capital. If any country wishes to take that position, then I would concede, Mr. Chairman, it is open to that country to take that position, and in that case, local currency acquired under this provision would not be available for capital purposes, and therefore it would not be required by the purchasing country.



CHAIRMAN: May I ask how far that meets the question asked by the Representative of Greece?

GREECE: Yes.

CHAIRMAN: I take it from this discussion that there is general agreement that this is a desirable clause. There is also the suggestion of the representative of the U.S. that when the stage of ultimate drafting comes that it not be included as clause 2(a) here but might be placed in some more suitable location. Is it the wish of the Committee to adopt this clause and recommend it to the Commission or are there modifications which are proposed. Does the Chair take it that it is agreed that this clause is approved? So agreed.

The next proposal is the additional Section 3 in Alternative A additional to the Joint Statement. As I said before it takes the part of the wording 2(d) of the Joint Statement and binds it into a new section Declaring Members Ineligible to Use the Resources of the Fund. (reads all of Section 3, page 6b). Any discussion of that proposal? There being no objections may I take it that that proposal is agreed?

CUBA: Mr. Chairman, may I ask whether the differences which are contemplated between the article of the declaring members ineligible to use the sources of the Fund and the provision announced on page 35 of this draft preliminary articles on suspension of membership or compulsory withdrawal -- may I ask what is the difference between the ineligibility and suspension of membership because I couldn't get quite clear from the discussions in Atlantic City which was exactly the difference between these two provisions.

BROWN(US) Mr. Chairman, in the first place the U.S., which proposes this, would like to strike out the words "and policies" in the second line, subsequently to leaving it "in a manner contrary to the purposes". I do not think any country here would care to bind itself to the probable degradation of the use of the Fund and suspension by disobeying policies which might mean policies adopted by the Board of the Fund at some later date. The original section of the Joint Statement of the experts provided nothing except suspension. It is the view of the U.S. Delegation that something less than suspension was highly desirable and that it would be much less contrary to the dignity of a nation to limit its resources to the Fund temporarily than to suspend or throw it out of the Fund. Consequently the proviso was changed from the expert's statement declaring its ineligibility to use sources of the Fund or limiting its use. The other substantial change is that after the Fund is presented a report and before a reply is received, it has, in special circumstances, the right to limit or to propose conditions on access to the Fund. This was designed to take care of the case of the country which would not reply immediately or the reply might be unsatisfactory when it did come in, and the maximum amount which was still drawable. Again I think it is a case which is very unlikely to arise but it is possible. I think the alternative section is much better for all countries in that it does not involve the indignity of suspension in case of disagreement it does allow much lesser punishment of limitation which might be instead of drawing 25 percent at one time but rather 5 percent a month for 5 months, but not all in a day. This section will be rarely used but it seems to me the main effect would affect the dignity and honor of various countries which join the Fund.

CHAIRMAN: I am not sure the representative of the U.S. was entirely heard. I shall state briefly the point which was raised. The explanation was that it was desired in these circumstances to have a restriction on countries which fell short of suspension or anything which would involve the dignity of a country where it was contemplated that the Fund might withdraw the use of its resources entirely but limit the use of its resources for a period of time and that for the remainder it is mainly spelling out in fuller language the brief statement which appeared in the joint agreed statement of experts. Is there any further discussion?

CUBA: Mr. Chairman, might we postpone the consideration of this article particularly in its last line on declaration of ineligibility. Up to the time that we know what the final draft or the draft of suspension of membership --

CHAIRMAN: May I ask the representative of the U.S. whether it is considered to declare a country ineligible to use resources of Fund is equivalent to discussion, or is there additional ...

BROWN(U.S.): I should say that the difference was a real difference, that if a country is suspended, I can scarcely conceive of any country risking its own national honor, which wouldn't immediately withdraw from the Fund and tell it politely to go to the devil, whether it could meet its obligation to the Fund or not. If it is declared to be ineligible to use resources of the Fund it means there is every opportunity for conciliation and clearing up misunderstandings which might arise between sovereign nations, as between individuals, and that the country will come back into the fold of the Fund without any hard feelings. I think it is a very important difference from the point of both national honor and also of keeping this Fund permanently going as an organization which we hope all the civilized nations of the world will ultimately join.

CHAIRMAN: There is some difficulty in accepting the suggestions made that this should be left open and that the section referred to on page 35 should not come before this Committee but before another Committee. In view of the fact that it is open to any delegation to raise this question in this Commission, where both points may be raised, would it be satisfactory if we left it there that any delegation could discuss it in the Committee as we are not able at this Committee to answer questions in respect to suspension.

CUBA: It is satisfactory.

CHAIRMAN: Is there any further discussion of this section? If there are no objections, accept this section as agreed. So agreed.

The next item is Alternative C. We passed over it this morning inadvertently. Alternative C relates to Section 2, paragraph a, of the Joint Statement and refers to Section 2, paragraph 1, of Alternative A, which we have already accepted. You will note there have been certain changes in the Joint Statement. The final phrase read "which are consistent with the purposes of the Fund". In Alternative A that has been changed "which are consistent with the provisions of this agreement". Alternative C proposes the wording "consistent with the purposes and provisions of the Fund".

CZECHOSLOVAKIA: This alternative before Alternative A was known.

CHAIR: Alternative C is withdrawn. That completes the discussion of Section 2.

We turn to Section 3 of Roman III, Joint Statement. The original section reads: (reads the above).

The proposal would be new Section 4 to the section, in view of the fact that a new Section 3 has been proposed. It would read: (reads Section 4, page 7). The changes seem to be minor changes in wording. Is there any discussion? If there is no objection may I take it that Alternative A, Section 3 of the Joint Statement is agreed.

Section 4. Read in the Joint Statement: (Reads Section 4, page 8). That has been reworded in Alternative A to read: (reads Section 5, alternative A, page 8). Any discussion of this proposal? If there is no objection, may we take it.

ECUADOR: This morning the proposal was that the Fund would not operate except through a central and stabilization Fund - is it here authorized to make transactions outside? Wouldn't that be in contradiction to what was proposed this morning? I assumed that it was a borrowing operation and would be handled through the approved institutions.

BROWN(U.S.): The member from Cuba raised the same point this morning when he stated that except as otherwise provided in this agreement all transactions should be with central banks or with other fiscal agencies and called attention to the fact that this indicated that the Fund might borrow from private chartered banks with the approval of the country in which they were located and whose currency was being borrowed. I think the member from Cuba's point was entirely correct this morning. I think it may be left to Mr. Robertson's friends, the lawyers, for the day when we are all agreed on principles.

CHAIRMAN: Does the explanation cover the point?

MEMBER (?): I have no objection whatever but since it was emphasized "only", that had not been in the original proposal but here emphasis has been placed on it. I have no objection.

CHAIR: That is a point to be looked after by the drafting people.

CANADA: The points I have to raise are also drafting points. There is a typographical error on this page (page 8) in the section that reads "borrow such currency within that country..." I believe that the word "or" has been omitted. "or from some other source". My understanding of the meaning of this paragraph was that if the currency was becoming scarce the fund might attempt to borrow that currency either from the country concerned or from some other country which had adequate holdings of the currency which was becoming scarce. That is the first point. I stand to be corrected. The second point is perhaps more a point of substance, "but no member shall be under obligation to lend its currency to the Fund or to approve the Fund's borrowing its currency from any other source". I raise the question whether there is not in that form of words an implied obligation on the part of the third country's holding

the currency which is becoming scarce to make loans to the Fund. Say "but no member shall be under any obligation to make such loans to the Fund or to approve the Fund's borrowing its currency from any other source".

BROWN(U.S.): May I ask Mr. Bernstein of U.S.,

MR. BERNSTEIN: First if I may revert to the point that Mr. Pazos raised, there is the problem of drafting in connection with Section 1 and this Section, but I should call attention to the fact that Section 1 reads that: (Section 1, p.5, is read). It is not intended that the Fund shall necessarily limit its transaction to dealing with those agencies provided it deals through such agencies. That may clarify Mr. Pazos' point somewhat. I gather this is entirely correct.

I have a few more words. Perhaps the best thing is to turn it over to the asterisk committee. In the second line of No. 1, "propose to the member that it lend such currency to the Fund or with the approval of the member", I think these words are omitted "that the Fund borrow such currency within that country" -- may be a little equivocal, maybe it needs another word. I think it is intended that the loan should be made either by the Central Bank or another fiscal agency within that country. It could also be from some other source than the Central Bank or it would be through the fiscal agency in such a case. I think if so interpreted it might be clear. If not, the asterisk committee is the proper committee for it.

CHAIRMAN: Would it be the sense of the Committee that we would refer this clause to the committee to be named to deal with these problems of wording.

NETHERLANDS: Mr. Chairman, I would like to be sure that I got the substance there. The proposal is that the Fund may, with the consent of a member government, borrow either from that government or from private persons under the jurisdiction of that government or from any other source. Is that right? Three alternatives. I must confess that the word had been omitted from this sentence.

BERNSTEIN(U.S.): I am not certain, Mr. Chairman, whether that might be so. I would have to think back more leisurely to agree.

CHAIRMAN: I take it is agreed to refer this to the subcommittee who will consult with Mr. Bernstein and others as to the original intention of this proposal.

Section 5(2). The change is only a change of wording "offered by the currency of that member with gold". Is there any discussion?

NETHERLANDS: Perhaps you are right. It is just a matter of wording. We wanted to make sure by putting in that no country have the right to refuse gold for its currency.

CHAIRMAN: Any further discussion? I take it it would be appropriate to link with this discussion Alternation B which is to sell gold to a member country. I was referring to Alternative A or the alternative to sell gold, to a member country in exchange for its currency.

NEW ZEALAND: I think in order to protect the interests of the country concerned it is desirable to offer (to sell ?) otherwise it is not sufficiently clear that the country would have the option of refusing and if compared with the clause of the previous draft, it says offer to buy currency of that country with gold. It doesn't make it clear there that the countries permission must be had because the country's consent must be had before the Fund must borrow its currency. Just a question as to whether the same provision should apply. It is a question as to whether the Fund must offer to buy or whether it has the right to buy.

NETHERLANDS: That is just the point. We are wondering whether any country would be in a position to refuse to sell its currency for gold, and we are of the opinion that the gold should always be accepted. It may not work but in other words that is the essence of the proposal.

CHAIRMAN: Is there any further comment that will make clearer the difference between these alternatives?

NETHERLANDS: I think I see the difference and the language of Alternative B sufficiently expresses the difference. But even so Alternative B seems to me very unacceptable. I think the option must remain with the country whether or not it furnishes its currency to the Fund in exchange for gold.

CHAIRMAN: Any further discussion?

MEMBER (?): Might I ask the Professor how he reconciles the remarks just made with the provisions of 9-1 of the Joint Statement.

NETHERLANDS: It has nothing to do with any obligation on any part of a member country to take gold, whether from the Fund or from anybody else.

MEMBER: Provisions of the Joint Statement - there is no where any provision which covers an obligation on the part of any country either to sell gold -

BROWN (U.S.). Mr. Chairman, I think it is the view of the American Delegation implicit in the whole agreement, the country must sell its currency for gold or else the Fund won't work. It is a very large question. I think it is such an important question that it would be desirable to start the discussion tomorrow with that question.

CHAIRMAN: ADJOURNED.

COMMITTEE 2 of COMMISSION I  
5:30 P.M., July 5, 1944

Part 1.

CHAIRMAN: Committee 2 will come to order. As the first order of business I will report that our Reporting Delegate reported to the Commission this morning, and as a result of that report Section 2 under III, paragraph (c), the Alternatives A, B and D, on which we had not been able to agree, were referred back to this Committee. We have already had a discussion on those points. I do not know that the participants in that discussion have either changed their minds in the meantime or that there is additional information or additional argument to place before the Committee. Immediately it appears however the wish of the Commission that we should address ourselves to the subject and try and present a definite recommendation. I am therefore open to suggestions as to any procedure which we might adopt by means of a committee or otherwise by which we might follow up the wishes of the Commission.

REPRESENTATIVE OF THE FRENCH COMMITTEE: In order to save time I move that the Chair appoint and have a Committee for dealing with this problem.

CHAIRMAN: It has been moved by the French Representative -

DELEGATE FROM UNITED STATES: I would like to second the motion of the French Committee.

CHAIRMAN: It has been moved and seconded that the Chair should appoint a Committee to consider the problem which has been referred back to it and referred back to this Committee. May I take it that in the sense of this meeting the motion is carried.

DELEGATE FROM CANADA: Mr. Chairman, I would like to ask permission to make a short statement in connection with some observations I made as to Section 2(a) regarding the conditions governing purchases for capital transfers on page 6a. It is evident that I didn't express my meaning clearly in connection with one observation since the reporter in his admirable report to the Commission this morning reported that I had made a certain statement which it was certainly not my intention to make. The question relates to the condition of a country which is imposing import control on capital movements. The matter was raised by the representatives for Greece and Australia as to whether such countries would be obliged to permit the sale of exchange for the purchase of their exchange for capital inflow. I said at that time that if there were general restrictions of capital inflow they would equally apply to capital inflow to the Fund but if there were no such restrictions currency purchased through the Fund would be good payment for capital inflow. In no case would the specific consent of the country into which capital was moving be required. I think that this inadvertence arises purely out of my own lack of clarity yesterday and I would ask the reporter whether he would be good enough to correct his report to the Commission in this respect.

CHAIRMAN: The matter which has been raised by the Delegate from Canada seemed to be entirely a matter of the recording of what he said and not

of any action of the Committee and I would suggest that the reporter might amend his report in the sense of Mr. Rasminsky's remark and I know Mr. Rasminsky would be willing to assist in making the report accurate. At the end of the last meeting we were engaged in a discussion of Section 4 of the Joint Statement, Alternative A of the Code, particularly Section 2 of that Alternative, page 8. I have been informed a number of countries, including those participating in that discussion would like to discuss the matter informally before going on with further discussion in the Committee. The matter will be taken up later in the Committee and if I have the concurrence of the Committee we will pass over it now to permit those informal discussions and take up this section again at a later date. Is there any objection? It is so ordered. We then pass to section 5 of the Joint Statement which has been extensively rewritten in the proposal, Alternative A. The Alternative reads: "Each member shall buy balances of its currency held by another member with currency of that member or, at the option of the member buying, with gold, if the member selling represents either that the balances in question have been currently acquired or that their conversion is needed for making currency payments which are consistent with the provisions of the Fund." May I at that point ask someone more fully informed than I whether "currently payments" is a misprint for "current payments", or is it as written?

DELEGATE FROM PHILIPPINE ISLANDS: I take it to be a misprint.

CHAIRMAN: "Currency" in the fifth line should read "current". (Reading continued) "This obligation shall not relate to transactions involving: (a) capital transfers, except those transactions referred to in the second and third sentences of V,1, below;" Those exceptions are on page 21 of the document. (Reading continued) "(b) holdings of currency which have accumulated as a result of transactions effected before the removal by a member of restrictions on multilateral clearing maintained or imposed under X,2 below; or (c) the provision of a currency which has been declared scarce under VI, above; or (d) holdings of currency acquired as a result of dealings illegal under the exchange regulations of the member which is asked to buy such currency; nor shall it apply to a member which has ceased to be entitled to buy currencies of other members from the Fund in exchange for its own currency. Nothing in this section shall be deemed to modify or affect the obligation of a member under IX, 2 and 3, below." This proposal is open for discussion. Are there no comments or discussion, since this is the opening proposal?

DELEGATE FROM THE PHILIPPINE ISLANDS: Probably this section will ultimately find a place under Article 9 rather than Article 3, in that it seems to me it might be well if the last sentence of this were deferred until we have considered Article 9. I don't know if anyone will feel any objection to that but it is a little difficult to see at present. This may ultimately until we have cleared up Article 9.

MR. BROWN, UNITED STATES: There is a section (d) - "holdings of currency acquired as a result of dealing illegal under the exchange regulations of the member which is asked to buy such currency;". The United States would like to suggest that in place of the words "as a result of dealings" the words "contrary to" be inserted. I think it is a matter of drafting and I think it might be well if that particular section or (d) be referred to the Asterisk Committee. I don't want to get too many jobs but the question which arises in the minds of the American Delegation is that the language as it is phrased might be held to mean that a

transaction comes through with a ..... The country might refuse to recognize the obligation as to that currency. I want to make the United States' position that the balance passed by a country, the currency control as between the United States and the United Kingdom, that the third country, say Czechoslovakia, couldn't say that the transaction some year, or England couldn't say that some early transaction of Czechoslovakia violated the provision and I think the words "contrary to" in place of the words "as a result of dealing under" will clarify that situation.

CHAIRMAN: As I understand the proposal of the Delegate of the United States, it was that (d) under this section should be referred to the Asterisk Committee with the suggestion that "contrary to" be substituted for "as a result of dealings illegal under".

DELEGATE FROM UNITED STATES - MR. BROWN: So that it would then read "holdings of currency acquired contrary to the exchange regulations".

REPRESENTATIVE OF THE FRENCH COMMITTEE: I would like to support the suggestion made by Officer ..... concerning the deferment. I would mention an additional reason for deferring. I think there is a defacto and the former text of IX-2 because I do not see if Section (c) is applied . . . .

DELEGATE FROM CANADA: I should like to support the suggestion that this be deferred until the consideration of line 3, I should like to extend that as a whole to the preceding two lines - "nor shall it apply to a member which has ceased to be entitled to buy currencies of other members from the Fund in exchange for its own currency." It seems to me that there is some contradiction between the exemption in this new section 6 covering multilateral international clearing and old section IX, 3, not to impose restrictions on payments for current international transactions. The latter does not contain a qualification that that obligation "not to impose such restrictions" is not to apply in the case of members which have ceased to be entitled to buy currencies of other countries in exchange for their own. I would, therefore, suggest that those two lines as a whole be deferred for later consideration.

REPORTING DELEGATE: The Reporting Delegate would like to ask for some clarification concerning the word "balances" in the first line of this section, if it is in order. Which balances are those? In what cases may a country ask the payment in gold for the balances it holds from another money? I mean, are the balances left from transactions with the Fund, are they balances held from other transactions or both. Now if it were balances held as a result of transactions with the Fund, that would be, it seems to me, in conflict with another text on page 12, sections 9 and 8. From this article I understand that when a country has some currency left from the Fund or has bought rather currency from the Fund, currency from the country B, the Country B must accept its own currency in payment of current transactions, but this country B is not to pay in gold for that currency. If we take Section 6, the first line as meaning balances coming from the Fund, that means that the country B would have to rebate in gold, and you can see the great difficulty which might arise. Let me take one illustration. Suppose that, say Brazil, would have bought from the Fund some French francs. Now it might happen that the actual operation might not be exactly as forecast. there might be a balance left. Would in that case France be obligated to make payment in gold?



REPRESENTATIVE OF THE FRENCH COMMITTEE: It is optional.

REPORTING DELEGATE: Well, anyway I would like to have a clarification.

CHAIRMAN: Will some members of the Committee clarify this point? I hesitate to do it myself.

DELEGATE FROM HONDURAS: As far as I can ascertain it is the obligation of the buyer to pay in gold. Where the option rests, the option is not with the seller but the buyer.

DELEGATE FROM POLAND: It seems to me that the wording as it stands here may certainly have the effect which the delegate from France has put forth. That is, the member shall buy the balances, may buy them for the currency of another country or its option for gold but it is still committed to buy the balances so that if it has no currency of another country it is obligatory to pay in gold which is in conflict with the whole program.

MR. BROWN, UNITED STATES: I would like to introduce Mr. Bernstein who will speak.

MR. BERNSTEIN: Mr. Chairman, the provision of Section 6 must be read with all its qualifications. In the first instance it states that a member country holding the balances of currency of another country may sell such balances under certain conditions specified in that first country, and in return for such balances it will be paid its own currency, or if the buying country prefers it will be paid in gold. What Dr. Mosse states would be true that a country holding no currency of the selling country would have to pay in gold if it were compelled at that stage to continue to buy that currency and had no other source of getting the other members' currency. Presumably it has access to the Fund and can get the currency in that way. If it has no access to the Fund, if the buying country does not have access to the Fund, the obligation in this form terminates. That is the intention, it seems to me, of the paragraph following a, b, c, d, which states, "nor shall it apply to a member which has ceased to be entitled to buy currencies of other members from the Fund in exchange for its own currency." That is the way of the obligation with regard to the balances specified in the first paragraph with the other members' currency may lapse, if the country that is doing the buying cannot secure the needed currency from the Fund.

REPRESENTATIVE FROM THE FRENCH COMMITTEE. I just want to mention that my understanding is exactly the same as Mr. Bernstein's and as some have not understood it correctly and as you have not understood it, it may be better if the country has the right to sell exchange to that country from the exchange from the third country - from the second country. The reason why it has not the right to buy from that country is because several countries object to our currency. So if it was not possible to put a clause stating that the Fund is to buy the currency of the third country but the second country, it is necessary to devise a clause which looks rather complicated explaining the conditions by which the transaction can take place.

dealing with the transition period that any currency is got to be used during the transition period. I don't know that I quite understand Mr. Istel's question?

Delegate from France:

My question was whether if a country has established the full exchange control during the transition period whether it is bound to satisfy the needs of any country which has purchased its currency from the Fund in the requirements of a current nature.

Mr. Brown: It would seem to me obvious that the answer is "yes".

Mr. Istel - Delegate from France:

All right - I just wanted to understand it fully.

Delegate from Norway:

It seems to me that there is a difference between A on the one hand and B and C on the other hand. A seems to me to refer to the extraterritorial right of the Fund and that amendment to A is that a member government in signing the convention for establishing and entering into membership of the Fund will undertake to secure by proper national legislation or by examination of existing legislation within

(?)

the degree of the extra territorial asset provided for in A. If that is really the case I think the wording of A should be altered.

Delegate from Poland:

I think the same thing in regard to A. I don't think I have the same position with B or C but with regard to A the wording seems to be unfortunate. The accredited representative of one country, for example, to another, may be said to be free from restrictions. That is to say, he may move about - He has certain rights but he is still subject to one restriction - merely a standard provision - one that applies to all countries irrespective of the peculiarities of their papers. Where exceptions are necessary, where particular countries require additional support from the Fund, that can be given at the Fund's discretion to any extent that the Fund deems such support necessary. Now, the conception of the Australian delegate seem to be that countries with a wise seasonal movement in the balance of payments would eventually meet that seasonal trend by drawing on the Fund. This is not our conception of the use of the Fund. Most countries will have substantially independent gold reserves - gold and foreign exchange reserves of their own, even if they are meeting a large seasonal movement. Many countries will be able to meet that movement entirely by utilizing their own resources. They may come to the Fund only for rather small marginal amounts. We cannot make the standard provision cover the extreme cases of countries that have both large seasonal moves and no independent reserves of their own. What we have put in, therefore is the standard provision that applies to all countries like that with allowance of the cases that are not - may be that provision in the form of power to waive that provision if the Fund deems it necessary.

Delegate from United States: (Mr. Bernstein)

Mr. Chairman, we all recognize that there is considerable merit to the proposal of the Delegate from France. There may, no doubt, be instances in which a country would be permitted to use the resources of the Fund while at other times the full rights under the conditions of the provisions would not be used.

The question is whether the merits of this proposal are not offset by important difficulties. In the first instance it should be noted that the concept of this provision, Alternative A, is that in effect countries do not make use of the Fund's resources when they are not needed. When the resources are needed, in accordance with the provisions of the Fund, they are available. When a country is not entitled to acquire the resources of the Fund to purchase foreign exchange of the Fund merely to build up vital balances to await future use because their current needs are not fully up to the provisions in part 3. The difficulties I have in mind, and they are, I believe, important difficulties, are these:

Just as countries need certainty - some degree of assurance that the needs that they will have in the near future will be met by the Fund, so the Fund needs assurance that it will be in a position to provide the resources that will be needed by member countries in accordance with the provisions of the Fund. If after four years the Fund in fact may be faced by a request for the unlimited purchase of exchange for any rate limited only by the maximum barter provisions, it may find itself in a position where it will be pressed - a condition of uncertainty in which it cannot make its own balance. We must find, of course, some balance between certainty needed by member countries and certainty needed by member funds. We believe that the provision of alternative in provision A, calling for use of resources as need but limited to 25% a year provides that necessary balance.

The second difficulty, in some respects, holds up the first. We all know that Alternative A represents a common view of many of the technical experts who have been studying this question. It would be a mistake to conceive of this provision 3 as the provision of the United States technical experts. It has in a sense the full force of the opinion of all experts whose discussion is found in the Joint Statement. That is not to say that every technical expert agreed with that particular provision but it is more than one country and more than two countries. In the course of finding a common view it was clear from the beginning that if the Fund is to avoid the continuous exercise of authority on the sale of exchange it must somehow have what we may call "rules of thumb" - a reasonable basis for proceeding with the assumption that the use of the Fund's resources is being limited to the purposes and the provisions of the Fund. If this quantitative limitation of 25% of the quota in a 12-month period is modified or withdrawn it seems to me unavoidable that we will have to restore to the Fund a balancing provision which will give the Fund an opportunity of examining from time to time whether the use of the Fund's resources are not excessive and are at a rate which will cause disequilibria. The disturbance of this balance of \_\_\_\_\_ and obligations leads only to the taking of further steps which are undesirable to others and which should be avoided as far as possible. If the Fund is to depend on the concept that some quantitative use is a measure of reasonable access to the resources of the Fund it will not be possible to modify provision 3 in such a way as to open up after a stated period the purchase of as much exchange as the country is prepared to use without submitting that to the discretion of the Fund somehow. For these reasons I feel it would be a mistake to relax provision 3 to take account of the very reasonable point that the delegate from France has made. That can fully be taken care of in the waiver provision of this Alternative.

Delegate from \_\_\_\_\_ :

Mr. Chairman: As far as I can hear them, the arguments which are given by Mr. Bernstein - there is one thing which I must say does not answer our purpose. It is the idea of a waiver. I do not see how the possibility of waiver by the Fund does protect the country which does not know any difficulties - whether they will receive that waiver and in the absence of knowledge will take the protection

each year to draw what is reasonable in order to be assured of its requirements of the future - in order to be assured of the possibility of having success in the Fund. I quite agree with the idea that the resources of the Fund should be used exclusively as temporary nature and that therefore provisions must be made and should be made if the principle of carry-over is accepted whereby a country which would use for more than 2 years up to the extent of 150% as an average, whose currency is more than 50% of its quota for more than 2 years. I think it would be quite normal whereby outside of penalty of interest the Fund can request the country to take such measure as to reduce the amount of currency. I must confess I have been unable to find satisfactory wording. I suppose the wording similar to the one suggested in A concerning ineligibility to the resources of the Fund. Of course, an amendment of that kind has records(?) that binds after a period of four years. I think it is also proper to afford us something whereby a country cannot at any time ask 200% if that country has had 200% previously.

Delegate from United Kingdom:

My delegation is by no means lacking in sympathy with the condition of those countries which, whether because of their dependence on particular crops or for other reasons find that their end is particularly heavy in particular years, but we do feel that their difficulties ought to be sufficiently looked after by the discretionary powers vested in the Fund under Section 4 in Alternative A and by the practice which we hope of continuous consultation between members and Fund about their prospective troubles and difficulties and we do feel, therefore, that the limitations which are set out in Section 3 of Alternative A are desirable and indeed necessary if the Fund is to be assured of being always in the position to fulfill the heavy obligations which are going to be laid upon them.

Chairman: Unless the Committee feels otherwise, I think that the views of this clause have been fully expressed except I would ask Mr. Melville of Australia if he wishes to add any further statement.

Delegate from Australia, Mr. Melville:

I should like to refer to some points made in objection to Alternative B and D. The first point is in Mr. Gard?? comment there was implicit suggestion that the countries would have reserves outside the Fund on which they can draw. That is by no means certain. It is by no means certain that the end of the war the countries I have in mind will have reserves outside the Fund on which they can draw. If they have not and if this Fund implies that it will not work unless they have reserves outside the Fund then the creation of the Fund inevitably imposes on those countries the duty of building up large reserves outside the Fund's. We cannot discuss this satisfactorily until we know more about quotas. I think this Committee should consider very carefully what the implications are of forcing countries to build up large reserves outside the Fund. It seems to me that would, to some extent, be inconsistent with the purposes of the Fund. The purpose is to provide countries with working balances. If Mr. Gard ?? impression of the Fund is right, member countries must get their working balances outside the Fund and look to the Fund to provide them with resources only in exceptional circumstances.

Second point - whether the power of the Fund to waive conditions is really satisfactory - If, of course, the need for waiving conditions of the Fund is only required in exceptional circumstances occasionally, then I would agree that this provision would be satisfactory - It can deal with that type of case quite satisfactorily but as I see the operation of the Fund in its application to some countries it will not be at all exceptional for a country to request the Fund for a waiving of those conditions. I think it is most unsatisfactory for a country

to be placed in that uncertain position to have to ask that the limit of 25% be waived. That does not seem to be a very satisfactory method of procedure or a condition which government would feel at all happy to place themselves. I want to make this point - I was referring not only to ordinary seasonal fluctuation - not merely to the trend of events during one portion of the year. Agricultural funds are affected far more by fluctuation in prices which are constantly going on - more so through the business cycle than other times. Fluctuations in prices are quite customary and these fluctuations do affect their balance of payments during the course of the year or few years and it is that sort of movement that would make requests for waiver of conditions which I think is unsatisfactory.

Delegate from Mexico:

Mexico, as a producer of raw materials, should be in favour of Alternative B presented by France but there are considerations which have made us modify that apparently obvious attitude. On the matter of principle we believe that each country has to consider itself both as a debtor and creditor of the Fund. As a debtor, of course, Alternative D is favourable to Mexico, but are we sure that Alternative D covers sufficiently all the risks which all of us are undertaking as creditors and as shareholders of the Fund. A situation might arise if we are too liberal, that a country normally a debtor country would become a creditor position but when the time comes for that same country to ask the assistance of the Fund, if the Fund has been too liberal, it might be possible that its resources of vital or important currencies would have been exhausted. Also, there is another argument which we would like to underline. If the Fund carries its transactions with a conservative spirit then its reputation in world capital markets would certainly be better. Conservative handling of the Fund's resources may be in the long run much more favourable to the countries which are normally debtor countries.

Delegate from New Zealand:

As a delegate from a country which is very largely dependent upon the export of primary production, I should like to associate my delegation with the Brazilian and the French delegations and Australian delegation. New Zealand is a country first liable to fluctuations from time to time in great amounts and prices --- The points raised as to the provision for flexibility and waiving of clause 1 -- but on the other hand that does not seem to cover sufficiently the point which is one of the objects of the Fund - the confidence to make use of the Fund - whereas I recognize the points that is made that Clause D that if Clause D replaces the clause which is already in the Joint Statement it places the Fund in the position of not having quite the same protection. On the other hand I think we can rely on the caution of the Fund just as much as we can rely on the generosity of the Fund in order that countries dependent on the export of primary products can use the Fund in the ordinary course. I feel in any event it will be helpful to have the clause inserted in considering the waiving of these restrictions. Due regard would be had to special conditions of those countries which are dependent very largely on external trade.

Delegate from South Africa:

I find myself unable to support either of these Alternatives. I would draw the attention of the Committee to this point. - It is a big thing indeed which is proposed here that a country can go to the Fund and have a certain overdraft without too much investigation as to its proper financial position. That is a big advantage- That advantage you can only maintain if you establish what would be

in the opinion of the countries which have funds.- That figure of 25% is under - 33% would be just as good figure - But I should say it does suggest that we do not put any unnecessary strain on this machinery we are trying to build. Increasing strain may put the Fund into the difficult position of increasing obligations. From 25 to 33 1/3% is a wrong move. As far as the proposal of the French delegation is concerned for the carry-over, I would like to draw attention to a fact which we must foresee. Let us hope, at least for the first few years of the Fund, there will be a number of countries who will not require the help of the Fund. But we cannot hope that there will not come the time of increasing the number of countries. Let us say that this period of four years takes us up to the maximum. For every country which has not used any of its resources in the past you will have a country that can immediately come to the Fund for 100% quota. You are going to have a rush on the Fund. I repeat my point that we want to start, but on a very conservative basis. Provision made in the original draft for a waiver provision will have to be exercised very carefully in a period such as the one which I have just reviewed when a large number of countries will have to come to the Fund for assistance. It may not be possible at that time to help all the countries.

Adjourned at 1:00 PM

## Committee 2 of Commission 1

July 5, 1944 - Part 2.

## Afternoon Session

Chairman: Is there further discussion of the viewpoints?

Delegate from Canada:

I should like to ask a question of qualification. Is it the intention that the application of multilateral convertibility of currency has a general application - is one which lapses when the country has used up its quota?

Chairman: Can Mr. Bernstein answer that question?

Mr. Bernstein: I gather that Mr. Rasminsky is not inquiring as to what I like but as to what the provision states. The provision states that the application in this form lapses. Mr. Robertson has asked us to postpone the discussion of the section reading "nothing in this section shall be deemed to modify or affect the obligation of a member under 9(2) and (3) of the Joint Statement." I think the question that Mr. Rasminsky has asked is the reconciliation of this provision with other obligations of member countries as stated in that article of the Joint Statement. As the document reads it is intended in effect to terminate the obligations of a country to sell - to buy, I mean - its own currency from other countries in the form stated here. I can see no great advantage in going into a long and detailed discussion of that point. If a country's access to the Fund has ceased - if it has inadequate resources in its judgment to maintain this type of repurchase - that is until we have had some opportunity to discuss 9(2) and (3) of the Joint Statement in the later provisions of this document.

Chairman: May I state what I gather from this discussion - namely, that Alternative A is acceptable to the Committee down to and including A. With respect to D it is suggested that it be referred to our asterisk committee with the suggestion that the words "as a result in dealing in legal language" be replaced by the words "contrary to" and that the last clause of that paragraph following the paragraph No. D, that our consideration of that should be deferred until consideration has been given to the later paragraph dealing with the later section dealing with the multilateral application and consideration of the final sentence should be deferred until consideration has been given to 9(2) and (3).

Delegate from

I do feel that it might be a very queer situation if the Committee were to approve down to the end of (b) and to defer the two following lines because they do really govern the whole of the sentence. They are an integral part of which many people would not be willing to accept the rest of the section and then be quite clear that the last two lines, the two lines after D, were an integral part of the whole story whereas my suggestion for deferment was a tightening-up the relation was to be made between this section and Article 9. I think this further suggestion of deferring these two lines is a dangerous one because it means a complete gap of the whole provision and makes nonsense of the whole section. I hope the delegation would not press these lines to be deferred.

Delegate from Canada:

I agree there is a great deal of substance in what Mr. Robinson has said. On the other hand this is the coming decision of this whole plan and -- by deferring consideration of this entire article until sections 9(2) and (3) have been considered.

Chairman: That would seem to be the logical outcome of this discussion.

Delegate from

Mr. Chairman, I want to emphasize the point raised by Mr. Robinson. I think many members of this Committee would not be inclined to agree to Clauses A, B and C unless the other provisions of this section would also be agreed to.

Delegate from

A question of order - Is it intended that this point - this last sentence - should be left to another committee?

Chairman: No, I understood the suggestion to be merely that we should defer our discussion until it would be discussed in connection with this latter clause.

Delegate from

This Committee would discuss then Article 9?

Chairman: There perhaps the difficult has arisen. There are articles 9(2) and 9(3) which do not come under this Committee. They come under Committee 1. However, in two or three instances these cross-references which are difficult to deal with - Is it the wish of the Committee that we defer consideration of the whole section to Committee 1 and Committee 1 deal with it or shall we draw attention to the Commission -- My understanding of the difficulty with respect to the last clause we have referred to is that it could not be fully discussed without discussing the substance of these later sections.

Mr. Brown, delegate of U.S. introduces Mr. Bernstein.

Mr. Bernstein:

Mr. Chairman, I regret that in the process of dividing the work with the hope of equilizing somewhat the tasks before the different Committees, the Secretariat thought it might be helpful to give the Committee that deals with purposes at the same time the provisions on obligation of member countries. In my opinion it is of the utmost importance that this provision "multilateral international clearing" be retained in this Committee. In many respects the whole of the operations section of this document depends upon the proper understanding of this section and my suggestion would be that the secretary of this Committee arrange with the secretary of the Commission some proper assignment of the sections of Article 9 that are concerned with multilateral clearing - perhaps arranging to have them transferred for consideration by this Committee.

Chairman: Is that suggestion acceptable to the Committee? Hearing no objections, I take it that it is. Is it then further acceptable to the Committee



we defer any further discussion of section 6 until it can be discussed in the light of the later sections which we hope can be brought before you.

Delegate from

In an alternative possibility that a Joint session of this Committee and No. 1 Committee which I understand has an overwhelming amount of material at the moment would take place tomorrow morning.

Chairman: Is there any support to that suggestion? May I take it then that the other suggestion we tried to arrange for the transfer of this consideration for the consideration of this Committee should be - we should try and arrange that transfer of this clause in section 9 which should be considered here and that we defer discussion until we can take them both together. There being no objection I take that to be the view of the Committee. As to section 6 of the Joint Statement, a member country desiring to obtain directly or indirectly currency of a member country for gold, is accepted provided it can do so with equal advantage to secure the currency by sale of gold to the Fund. (reads). It is proposed to replace that by section 7 headed Acquisition by Member of the Currency of Other Members for Gold. (Reads that section) Section is marked as 1 in which there are changes of words rather than substance. Are there any comments? There is no comment. May I take it the Committee is agreed in improving A. I take that is the view of the Committee. Section 7 of the Joint Statement which I note there has been an Alternative B, C and D proposed to certain clauses. The alternative A is to be submitted later. Is it the wish of the Committee to discuss these other Alternatives in the absence of Alternative A or defer discussion relating to this part?

Delegate from United States:

Mr. Chairman, I suggest that discussion of Alternatives B, C and D be postponed until Alternative A is submitted, which the United States expects to do shortly. It has been the subject of some discussion among the experts. It is absolutely impossible to understand B, C or D except in connection with alternative A which I regret is not here but which is thought of great service to this discussion.

Chairman: That would seem to me to be the procedure which we should adopt. Is there any objection? If not, we will pass on to page 12 of the document in which there is a suggestion for an additional section to article 3, Alternative A, section 9, transferability, etc. (reads the section). Is there any discussion of this proposal?

Delegate from

I would like someone to explain it, Mr. Chairman.

Chairman: Do you volunteer to explain the proposal Mr. Brown?

Mr. Brown: Section A - All assets of the Fund shall, to the extent etc (reads the section).. seems to me to go with the general article which deals with the operation of the Fund. It might be contended that it is covered by later sections regarding immunities of the Fund. Obviously, if the currency required

by the Fund cannot be used to carry out current transactions - to carry out the operation prescribed by this agreement - which altogether relate to current payments. - Unless that currency is free from any special restrictions or regulations or control by any members, the Fund won't work. That is the reason for the insertion of C. B is to the same general effect. As restated current account obligations can be settled in currency purchased from the Fund and it is intended to apply either before or after suspension or withdrawal. Otherwise members of the Fund who would have a credit balance would be unable to use the currency of the nations having an overdraft on the Fund in the event of any trouble. Section C reads (reads section C). The earlier section of the article provides that the Fund shall actually - to keep the currency of each member in the Central Bank of that country if it has one or with the Treasury or some similar financial institution designated by the member country. It was explained that some nations fortunately or unfortunately, have no Central Bank, the United States being one of them. In many cases the Central Banks or other depositories are not under government control but if a nation designates a corporation within its limits as a depository, a bank. If no option to keep this money in such bank so designated, it seems to me obvious that the nation guaranteeing the Bank should guarantee the solvency in which the funds of that country are held.

Delegate from France: .

May I ask clarification of a vital point? Does section D apply also during the transition period

Chairman: Any member answer the French delegate's question which is, as I understand - whether B as proposed here would apply during the transition period when a member has established a closer exchange control.

Mr. Brown: Obviously, Mr. Chairman, if the currency is purchased from the Fund and it is put in by the member nation then the restrictions dealing with Article 10 dealing with the transition period that any currency is got to be used during the transition period. I don't know that I quite understand Mr. Istel's question?

Delegate from France:

My question was whether if a country has established the full exchange control during the transition period whether it is bound to satisfy the needs of any country which has purchased its currency from the Fund in the requirements of a current nature.

Mr. Brown: It would seem to me obvious that the answer is "yes".

Mr. Istel - Delegate from France:

All right - I just wanted to understand it fully.

Delegate from Norway:

It seems to me that there is a difference between A on the one hand and B and C on the other hand. A seems to me to refer to the extra-territorial right of

the Fund and that amendment to A is that a member government in signing the convention for establishing and entering into membership of the Fund will undertake to secure by proper national legislation or by examination of existing legislation within the degree of the extra-territorial assets provided for in A. If that is really the case I think the wording of A should be altered.

Delegate from Poland:

I think the same thing in regard to A. I don't think I have the same position with B or C but with regard to A the wording seems to be unfortunate. The accredited representative of one country, for example, to another, may be said to be free from restrictions. That is to say, he may move about. - He has certain rights but he is still subject to one restriction - that is, he has to carry a document to show who he is. The same thing is true in a country maintaining exchange control. It makes exchange control impossible. Anyone can come along and say "This is currency belonging to the Fund and I am free from restrictions." That obviously is not the intent I think the draft wants put out. It naturally has to confirm whatever regulations there are to show intent, but having done that, that money should then be free to leave the country. I think that is all that is intended. I think that section A, as the gentleman from Norway stated, should be referred to the Asterisk Committee for improvement in drafting.

Chairman: Is there any further comment?

Delegate from France:

A further question, Mr. Chairman. I suppose B reads "expressed in this currency". For instance, if the currency was expressed in gold, I suppose it applies . . .

Chairman:

May I ask Mr. Brown to answer Mr. Istel? Mr. Brown, we are perfectly willing that it be referred to the Asterisk Committee, as long as there is a question of difference of meaning it should be discussed.

Mr. Bernstein: I think it was intended when section 9 B was provided that it should be referred to the Asterisk Committee - That was really the intention in the drafting of 9B. The reason is that the drafters of this provision had great difficulty in making clear their purpose. They also had great difficulty in finding the technique for achieving their purpose. Provision B is intended to cover cases of this sort. In the first instance in some countries it is quite conceivable that all international transactions will take place in a currency other than their own. This may be true of state trading countries - it may be true of countries whose currencies have very limited use in international transaction. If in those instances a country should have a favourable balance of payments on current account it would be difficult if not impossible that a passive Fund should utilize the subscription of that country for the purposes of the Fund. That is in financing a favourable current balance with that country. The answer, therefore, to Mr. Istel's question is this - This provision is intended to assure the Fund that the resources subscribed by member countries are all usable for the purposes of the Fund in practice. Exchange regulations need not be in any way involved though they may be. These resources are not useful in

practice and consequently as stated, an obligation to, say France, the Government of France, by the Government of another country, however that obligation is expressed, would be dischargeable if it were a current account obligation by a tendering of francs which were sold by the Fund for the purpose. It is not intended, of course, to cover non-current account transactions since the Fund is not designed for this other purpose.

Delegate from Canada:

On the very last point mentioned by Mr. Bernstein, to the extent that the Fund does sell foreign exchange for current account transactions, I would take it that currency purchased by the Fund would also be good -- and I suggest that question which is related to section 2-A which was discussed yesterday should also be considered by the Asterisk Committee.

Mr. Bernstein: That was a slip on my part. We have corrected that since the broadening of that concept.

Chairman: We are told that it was the intention of Alternative A that it be resubmitted to another committee on the matter of wording. I take it the committee is willing to do that. Before we do so, are there any other views on matters of substance, if any - We will commit this section to our Asterisk Committee - What is needed there is not merely verbal change but clarification of the real substance of the section. Before passing on to the next page, there are two matters which I might properly take up. They are in the Agenda but they escaped my attention. Since yesterday there have been two alternatives proposed to earlier clauses in this document. The first was circulated in this morning's distribution is an Alternative E to section 2 of the Joint document, or rather an addition to that section which I believe was put forward by the delegation from Mexico. Is it the wish of the Committee to discuss this now or do they wish further time for consideration of it. In other words, have they had ample time to read the alternative.

Delegate from Brazil: I would like to inform the Committee that the Brazilian delegation has submitted an Alternative draft of section 3, number 5, 6 and 7 which however is consequential to an earlier change to the second part of the draft of the Joint Statement.

Chairman: That proposal I take it will be circulated?

Delegate from Brazil: I believe so, tomorrow.

Chairman: Is there any objection to discussion now of this Alternative 2 - page 6-D which was circulated this morning? My only reason for asking is in case members did not come prepared.

Delegate from

Sir, Before you invite discussion, may I ask whether the work of this proposed addition is in order. It talks about a silver holding - Does that mean the silver-holding country?

Delegate from Mexico:

In reply to the answer by Sir ? we mean by silver holding country a country which has more silver count in circulation - more silver accounts than token

## UNITED NATIONS MONETARY AND FINANCIAL CONFERENCE

Committee III of Commission I

Hemicycle Room, Mount Washington  
Hotel, Bretton Woods, New Hampshire  
July 4, 1944

Stenographic report by:  
Mary E. Fitchett

Mr. Bryan: Dr. Boucas will preside. The chairman is temporarily detained. We are going to continue our work of this morning.

Chairman: The secretary understands that we have completed Section 1 through (c), and that in accordance with the rule of proceeding, subsection by subsection, we are now on Section 1(d), found on page 24a of the draft document that you have. Subsection (d) reads:

"The Board may by regulation establish a procedure whereby the Executive Directors, when they deem such action to be in the best interests of the Fund, may obtain a vote of the governors on a specific question in lieu of calling a meeting of the Board."

Discussion is open.

MR. MACHADO: I would like to ask just what is meant by this section. What would be considered a suitable procedure? Would that be construed as far as to eliminate the annual report?

Reporting Delegate: There is a 100 percent probability that the Board wouldn't give such a regulation, but I don't think the Board Board would be entitled to give such a regulation. There may be secondary rules and regulations to indicate whether the Executive Committee may do that.

MR. MACHADO: How about the occasion of a special meeting called at the request of one-fourth of the members of five nations, would that procedure substitute the holding of such meeting or---

LUXFORD: As I would read the provision as a whole, it would be my understanding that by no means might a meeting requested by five of the members be supplanted by any polling of the Board of Governors. There may be minor issues on which the Executive Directors would like to get the advice of the Board and rather than calling them from all over the world, they might do it by cable, for instance.

CHAIRMAN: Do any other delegates want to present any suggestion? If not, we will pass immediately to the (e). Will the Secretary be kind enough to read (e)?

SECRETARY: "Governors and alternates shall serve as such without compensation from the Fund, but the Fund shall pay such reasonable expenses as are incurred by the governors and alternates in attending any meetings."

CHAIRMAN: Discussion is open. No objection? Then we go to the following. The Secretary will read Joint Statement VII, 1.

(The Secretary read, JOINT STATEMENT VII, 1, Alternative A. Section 2, The Executive Directors.)

CHAIRMAN: I want to report here. I see we have Alternative A and B, and they are very long ones, and I think it will be best for us to read A now.

(?) We find it rather difficult to consider the significance of the suggestions here in Alternative A regarding the number of permanent seats on the Executive Committee without knowledge of what the quota structure is going to be. Similarly, it is difficult also with respect to what follows, to consider the significance of the method of electing the remaining delegates without knowing what the structure of the quotas will be. Therefore, I would like to suggest to the Chairman that we postpone the consideration of those two points until we have more knowledge of what the structure of the quotas will be. That will be undertaken by another committee. It is only with respect to those two points. I think the remaining material in these suggestions are not affected.

CHAIRMAN: What are the two points?

(??) The number of permanent seats on the Executive Committee, and the method of electing the remaining members of the Executive Committee.

THE DELEGATE FROM BELGIUM: I second the motion made for the very reasons expressed by the member from

CHAIRMAN: Well, we will suggest the motion by the Delegate from \_\_\_\_\_, seconded by \_\_\_\_\_. Any suggestions will be welcome, because we are making some important work for the benefit of our countries, so I want everything to be free.

THE DELEGATE FROM CUBA: Mr. Chairman, perhaps I do not understand exactly what was said by the distinguished gentleman who preceded me. It seems to me that it might be very helpful to read through these two proposals because they approach the question of the number of directors in the Executive Committee and the method of election from two different angles, and regardless of what the position of our quotas may be, I think there is a \_\_\_\_\_ principle involved in the two separate sections. It would be very helpful I think and would save time to read the two proposals.

(?): I agree. They are quite complicated, particularly on the manner of election and we are prepared to offer some written amendment, certain suggestions that perhaps might be considered by a subcommittee and might help in bringing the general committee a direction that might help us to get on quicker. I would therefore request the Chair, if it is proper, to have the two alternatives read.

CHAIRMAN: So I understand the delegate from Cuba would propose to read all of them.

DELEGATE FROM CUBA: Both and have a discussion and to the principles involved.

DELEGATE FROM UNITED KINGDOM: These are very long discussions. I am not sure that we will be any nearer the discussion of the principles merely by having them read. I think the delegate from Cuba has raised a very important point. I think

that we might discuss this without having the formality of having this read.

ASSISTANT SECRETARY: Mr. Chairman, I understood the delegate from the United Kingdom to propose that we dispense with the reading and discuss the provision. I didn't know whether any action had been taken on that.

DELEGATE FROM UNITED KINGDOM: That was what I suggested, and I thought that the delegate from Cuba accepted that amendment to the discussion.

CHAIRMAN: We have been discussing the letter (a) of Section 2.

THE DELEGATE FROM CUBA: Mr. Chairman, at this point I would like to suggest, Alternative A and B, in regard to the Executive Directors, that they be increased from 12 to 15, in order to enable the smaller nations to have a larger representation, and I would also suggest that the principle of distribution of geographic arrangements be adopted and be referred to a subcommittee to report with proper legal phraseology to cover that point. It seems to me that in order to have this further work properly, all geographical areas should be represented in that Fund, and a method of election of Directors should be adopted that would assure such geographic distribution. It seems to me that the big monetary powers would retain the right to veto, safeguard, but we do feel that the benefit of advice of Executive Directors from wide parts of the world would be effective in carrying out more efficiently-- and refer to the subcommittee in order to bring a complete proposal to the Commission at the next meeting.

ASSISTANT SECRETARY: I would like to discuss the provisions of Alternative A before we focus on a proposal to commit any part of this to some special amending process. I think that it would be in order to outline in general what was intended by Alternative A, so that all here will agree on what was the purpose of this alternative. As we turn to Section 2, and keeping in mind this morning that we discussed in great detail the fact that the Board of Governors is, so to speak, the plenary session, or the plenary body, holding all powers under the Fund, and that in turn they may delegate certain round powers to an operating group. In other words, as was stated this morning by a number of the delegates, it is not possible for a group of 45 or 50 countries represented by members to operate and manage a fund. They by all means should decide and form the policies, but if you must have a smaller operating group, and that is designated in Alternative A, the Executive Directors. Now the thought of paragraph (a) under Section 2 is that there should be around 12 Executive Directors. No one is arguing at this point whether there be eight or thirteen or something like that. It is the principle of a smaller number of directors who shall be responsible for the day-to-day operations of the Fund, operating, of course, under the authority vested in them by the Board of Delegates.

The question then comes up, assuming that you are going to have a small board who are going to handle the day-to-day operations, of who should comprise that group. Alternative A proposes, again for purposes of discussion, that you should first take the General Manager, that is the man who is going to be responsible for the actual administration in a technical sense to \_\_\_\_\_ the operations of the Fund. The General Manager should, of course, be on the Executive Directorate, but he is going to be the man with the fullest knowledge of the day-to-day problems. Then it is suggested that the five member countries having the largest quotas should have seats on the Executive Directorate group. Finally it is proposed that there be approximately six other seats on that Executive Directorate, and that those seats should be chosen from the Governors who do not have a position on the Executive Directorate as a matter of right. To illustrate concretely, you will have

the countries with the five largest quotas naming specific men to be members of Executive Directors. Then the balance of the countries without any information or power to vote on the part of who name a specific man, shall themselves decide who the other six members will be. Again I say, six is only being used as an example, and without any effort to argue six or seven or five. This proposal also contemplates that perhaps the business of the Fund during the first three years at least will be so heavy as to make it wise that the Executive Directors remain at the head office at all times for the first three years. Again, that is for everyone here to decide, whether that is a good idea, the only thought being that in the transition period, in particular when we all realize the difficulties that will confront the world, and the contest in the monetary field, that it would be very fortunate if you would have the Fund in a position to act and act at once on the measures that are bound to be raised by the respective members. If someone else wants to say we can achieve the same result by having them available on twenty-four hours' notice, fine. We won't try to argue whether they constantly remain in one place. but we do want them there to handle the business when it comes up, and not have to wait weeks. When for instance, some country wants a change in rate, they should be available to act.

Then there is following that a provision that each Executive Director may have his alternate who will be his alternate on the Board of Governors. Now that again is to give us flexibility. I think we all realize the physical impossibility for a director to be constantly out of his own country and in attendance at a meeting, so we provided that his alternate might serve in his absence, so that you may always have available at the head office of the Fund the necessary members to handle the decisions that will come up.

Now, in recognition of the fact that you will have, whether you call it fifteen members on the Board of Governors or five or ten or twelve, you never are going to have all the countries represented on that Board of Governors. That being so, the second paragraph of (a) attempts to remedy that problem, so that at least each country shall have the right to be present when the Board of Governors is considering business directly affecting that country. To illustrate: Suppose one of the countries not having a representative on the Executive Directorate wants to have a change in rate. This paragraph would permit the director or some other representative of that country to be present and to argue fully the case of his country before the Executive Directors when that matter is being considered by the Executive Directorate. That would also apply in any other case in which a problem of serious and vital concern to a particular country is before the Executive Directors. At that point they should have an opportunity to present their position to the Executive Directorate.

I believe that that covers all of Section (a). Now I gathered from the discussion by the delegate from Cuba that some of the problems that he would like to raise go beyond Part (a). For that reason I would like the Chair's permission to develop the whole of Part (a).. I will attempt to avoid getting into the niceties of how many seats there will be on this Directorate, any precise method of voting. It is the principles that I would like to develop.

Part(b) spells out a technique for the voting. I could spend a great deal of this time indicating the technique suggested here, but I think that there is a principle involved that can be spelled out much more quickly. I have already indicated that five members of the Executive Directorate would represent the countries with the five largest quotas. I have also indicated that one other man, the General Manager, would have an ex officio position on the Executive Directorate. You then have the question of how do you name from the balance of the countries those persons who are to represent them on the Executive Directorate.



Now the proposal here, in short, is that every country will have the opportunity to name or cooperate in naming a specific man, a specific Executive Director, who will be answerable in a broad sense to that country or group of countries. If I might turn to the suggestion of the from Cuba that there should be geographical representation, I would suggest that this will permit the achievement of that very end, namely, that any group of countries who can control twelve or fifteen percent of the votes, after you have cut off the five countries who name a man by virtue of their possession of the highest quotas, the balance, any country or group of countries that can work together, will say, we would like to have a man represent our interests that will have complete power to name a man on this Executive Directorate. Now as to whether that should be always geographical, I do not know whether that will always be the best committee. I suggest that in many cases it will be, and this technique will allow that. On the other hand countries which may not be geographically associated together may have economic interest that may be associated. They may be on two sides of the world, and rather than put me side by side of a country that just happens to be beside me, I would rather pool my votes with a country that may have the same economic interests that I do. This would permit those two countries to pull together and name a member to the Executive Directorate.

I would like to touch on the remaining problem of voting on the Executive Directorate as contemplated in Alternative A, and again, I will give you principles, rather than details. What is contemplated is strictly in accordance with the provision of the Joint Statement, that if I may refer back now to Joint Statement VII, 1,---I believe that I am confused -- I can call your attention though to the provision that I have in mind, namely, that voting on the Executive Committee shall be closely related to your quota, and it was with that end in view that we attempted to write language that would produce that result. I am informed that that is VII, 2, of the Joint Statement which reads:

(Statement read here.)

Therefore the problem is one of seeing that each Executive Director represents or has the power to vote the votes to which the countries which named him are entitled under the quota system. This document contemplates that that would be done in the following way:

The five countries which are ex officio, so to speak, represented on the Executive Directorate, namely the five who by virtue of having the highest quotas, have automatic representation on the Executive Directorate would be entitled to vote their quotas plus \_\_\_\_\_ for country vote. For instance, if the country was entitled to vote 500 votes on the Board of Governors, that country would also be entitled to vote 500 votes of the Executive Directorate. That takes care then of the first five members of the Executive Directorate. The problem remaining is what shall be the vote of the six members that are elected and the answer there is the same, namely, that after countries agree on who they want, the group of countries wants, to designate as their representative on the Executive Directorate, the Executive Directors shall then be entitled to cast the votes of that group of countries. Finally, the general manager has an ex officio position on the Executive Directorate and it would be his position to vote. He is simply the presiding member of the Executive Directorate.

The last provision, (d), simply provides that the Executive Directorate may appoint such further committees as they may deem desirable, and that they need not be comprised entirely of Governors and alternates. In other words, the Executive Directorate may want to appoint technicians to consider problems of rate and

similar problems.

CHAIRMAN: I thank you very much.

MR. BEYAN, NETHERLANDS: Mr. Chairman, I understood that you decided, and I think wisely decided, that we should discuss Alternative A and B at the same time. I say this is a wise decision because it is quite impossible to have any opinion on any sort of rules about Executive Directors unless one tries to visualize what sort of an institution this fund will be. Now, when I listen to many people discussing the importance of voting rights, I fear that many people have a conception of this Fund which in practice would not work, or would be, to say the least, disastrous. This Fund is meant to create and maintain in the world healthy and, as far as possible, stable financial and monetary conditions. Now, if we imagine that this fund would succeed in doing that, when we assume that there would be a continuous number of cases brought up to it about which there would be voting, I think we would be sadly mistaken. If, in the future of this Fund, voting would play an enormous part, the Fund would be a complete failure. We would be in the same position as parents who are so afraid of the health of their children that they have the doctor living on the premises, with the consequence that healthy children would become crippled and diseased persons for the rest of their lives. What can this Fund do? This Fund must try to be, first of all, a center of concentration amongst the monetary authorities of the world, because only if it is \_\_\_\_\_ that the countries of the world cooperate in the monetary, there is any chance that it can maintain a healthy monetary condition. Let us not forget gentlemen that evaluation is not a thing that comes on the surface from one day or another. Now if we imagine that this principle of evaluation can be solved just by voting, and that it will depend on our voting, I think that we will just fool ourselves. If anyone knows anything about the history of finance, if there is a case where evaluations is the only way out, then we will just have to accept it. If there is a case where the vote is not accepted, the member will just quit. If this Fund is going to have any meaning, and it is important that it have a meaning for the benefit of the world, then it should be a center of concentration. It depends entirely on the sort of people who will be the Executive Board, and secondarily the way these people can deal with those who are not continuously present. We cannot do any good by having on that Board people who will devote their lives to sitting in the country where it happens to be the seat of the Fund, who will not play any part in the financial life of their country. It is not any good for the purposes of this Fund to have a Board of high officials. What we want on this board is to have on this Fund the highest monetary officials of the countries and they could be in residence in their own countries, and be not continuous residents in the city of the central bank, because it is no good saying these people will sit here and study economics. I have the greatest admiration for economists, but their work is in a way so frightfully dull. What is the good of people sitting there and studying statistics. We want people who live the actual monetary life of their countries. If the world were very small, we could meet once a month, but that is quite impossible. We have to make a choice. It is essential that there should not be only people who only know the monetary values of Western Europe but these people know nothing about the monetary values of China, India or South America. It should be people who know intimately the problems in the monetary life of their country, and should be people who represent all these various monetary \_\_\_\_\_. It is not necessary that they should be there in permanent residence.

I happen to have a certain experience of an institution of that kind, an institution that has not been frightfully successful. It had the bad lot of starting its work when any international cooperation was crumbling in the world.

It did one thing. It created a center of concentration among the banks of central Europe. There was always \_\_\_\_\_ banks to come and discuss without the thing becoming a stunt in the press. And the situation is not such that we can just go up to the place where the fund will be, because --- Now the question arises whether the fund can be run by these people meeting only once a month. I don't see why it couldn't be run that way, because apart from the votes on various questions, which if the Fund is successful at all, which will happen -- If there is no practical work to do that could not be done by high officials sitting there and you couldn't possibly ask nine, twelve, or fifteen of that high standing that we want them to have to sit around the place and have practically no daily work to do. It means that these people will either be bored or they will poke their nose in business where it doesn't belong. It may be a little bit worth while in the first few years to come there. Again, it should be a binding principle that these people should not be in continuous residence, but not be bound to leave the countries, than to have extremely difficult problems of the post-war world settled by people who just are in that place, and have no contact with the actual life of their countries.

I am much less interested in whether I can vote or have a majority or minority than that this Fund will be a meeting where we will have to learn, gentlemen, what financial cooperation means, but we still have to learn it. I would rather see the thing in a shape that can develop something with the good will and interest of everybody, whether I have one vote more or ten votes less, and there is certainly every hope that it could develop. With war hanging around I have seen cooperation which went so far that, except for the position of Germany, it would have been possible to reestablish in Europe, in eastern Europe, something very much more like free exchange without control than anything we will see in the world in a very short time. We are afraid, first of all, that the big ones will outvote us and the big ones are afraid that the small ones will not cooperate.

From what I have seen I don't think there is any sense in being too much concerned. First of all, let us not forget that the world consists of human beings and we are going to run something that, if you want to compare it, we can compare it with a horse and a motor car, and if we spend days and days discussing votes we will never achieve anything at all.

ASSISTANT SECRETARY: Mr. Chairman, I would like to say there is very much that Mr. Beyen has said that there is very much that I would like to agree with, for instance, that we should not over-emphasize the vote aspects of the Fund. In my explanation I only attempted to make it very clear what this provision does provide. I would much rather say that on most issues there will be unanimity or there will be no need to vote since everyone will agree on the course to be taken. I am afraid, though, that the choices will not always be that clear, that it will not be possible to find everyone of the elective directory of the same mind, and in that contingency it becomes important to call out this vote, and in that contingency, alternative A does provide a special form of voting. I would also like to comment on certain other aspects of this problem. I would also like to see the postwar world through the same glasses as Mr. Beyen, namely that the Fund will not have too much to do. You will have cases when you will have to meet, but I do not see how you can talk in terms of an Executive Directorate that will meet once a month unless that Executive Directorate is prepared to turn over to some person the responsibilities which I would concede to be its and no other.

To give you some concrete example, the provisions of the Fund state explicitly that if a country wishes to make a change up to ten percent in exchange rate the Fund shall give it an answer with 24, 48, or 72 hours. What are you going to do with an Executive Directorate which meets once a month? Who is going to decide this question? I do not believe that there is any managing director who is going to decide this question. I do not contemplate that this group intended to entrust to an appointed officer who is going to pass on the question of whether a country is entitled to have resources of the Fund made available to it, in Article III specifically.

Now that would be fine if no country ran into an emergency but I don't see that that will be the world into which we are entering at the termination of the war. We should all recognize that there will be a constant emergency and countries should be free to come to the Fund and ask for a change, and ask for it immediately..... But I do feel that there should be men there at all times to answer those questions a country feels that it must, impose change controls, after it has left them.

A further question, that of borrowing; the Fund may find it necessary to borrow one or more currencies in the postwar period, and again, those are decisions which I believe should clearly be by the Executive Directorate and not any appointed officer. I did not understand the gentleman from the Netherlands to indicate that the management should handle all those questions. I just want to make it very clear that I do not think one should handle them and there will be many questions of that kind and that they should be available at all times to handle them there. The Fund is entitled to as much of their time as is necessary to discharge their duties.

DELEGATE FROM THE UNITED KINGDOM: I don't know whether I have your permission or the permission of the group...just for the purpose of explaining certain differences, the point of view that alternatives A and B represent, I think it will help the group to see just what are the questions on which we should focus our minds. I want to clear other things out of the way. Alternative B does not provide in terms for the method by which the voting to choose the Executive Directorate is fixed. It is silent on that because there is a question where VII, 2, and alternative A has made elaborate proposals for that. We are dealing with one of the most important parts of the whole matter referred to this committee. I hope I am not lacking in respect to committees I, II and IV if I say that I regard our work here as not the least important.

Now, the delegate from the Netherlands has explained from his experience, which is rather unique in this respect, from the doubts he has about the consequences of alternative A, and I would like to say, as can be seen from alternative B, we share a number of those doubts. If I may, I will take alternative A and just illustrate the difference. We are trying to contribute from our own knowledge and experience into the pool of this meeting so that something may come out of it. We are not interested in the voting. First of all, the proposals of the general manager shall be a governor. Now, that looks very sensible but it disfranchises the country to which that man belongs. If he is one of the twelve governors and is not allowed to vote, in so far as voting is important, he is disfranchised. How, I attach no particular importance to that, so that you have an outside man, one country having to give up a seat, or having two seats. But more serious, I think this question of the Executive Directors

being chosen from among the governors and nobody else should be considered. There are two possibilities that the governments will prefer on matters of the ... immense importance, to send to the governing board a member representing the government directly and the government of the country ..... Now it is quite clear that if a number of countries, that that is the rightful man to choose. It is quite difficult to contemplate that he shall be in permanent residence because he can't fulfill the duties in the country. He may take with him all the knowledge of the government but he can no longer present the government in that sense. However, on the other hand, there is a wish on the part of the countries to bring the central monetary authority to the Fund; then again, I think it is impracticable to believe that that will be possible. Mr Beyen pointed out that that means that he must choose. I have, at the appropriate state, a suggestion to make which would enable the principle that directors can be governors but will enable any country which does not want the man it wants as governor (?). I venture to put to the meeting that there is rather a difficult problem of working in the field from which you may choose the Executive Directors if you narrow it to the Board of Governors. I think you may lose the help of people who will be invaluable in the difficult times ahead of the Fund.

The next point is on the question of continuous session. There are enormously important subjects which the Executive Directors have got to decide and I share the view of the spokesman of the United States that those can be decided by one man, however important he may be. Alternative B provides that they could delegate some things but could not delegate others, so in alternative B there is a suggestion that some things must be done by the Board of Executive Directors elected. And if there are, important judgments, I think are likely to be very frequent at the beginning and sometimes may arise rather urgently. I don't think I see these continuous crises, if there are going to be continuous crises, for the first three years after the war, which will require your Executive Directorate to be in continuous session but I hope that is not what is going to happen. I think they have a series of immensely important decisions to make, largely in the beginning, and then, from time to time as they may arise. But there are technical operations perfectly under the competency of a good staff and the direction of...and it seems to me that the position could be met by not... I want to lay down that first of all you limit your selection of the Executive Directorate to those...and requiring that they be in continuous session for three years is putting an unwise limitation on your choice which it is undesirable to make. The article might provide words to the effect that the Executive Directorate shall meet not less frequently than, say once a month, and as much more often and for such periods as in the opinion of the general manager is required to conduct the business of the Fund properly; that puts the man who is in charge of the officials who are following the economic and financial trends in countries, who are watching the developments that are going to lead to a situation. That puts him in a position to know that he must have a meeting of many directors; there is something coming here on which I should like to inform them and on which I would like to have their counsel; and their counsel and advice will have been all the more valuable to me because they will have been in the stream of life. There is some risk in being detached and living in a world of its own and not seeing the living life in the countries. Delegate powers of certain limited functions, delegates chosen in the widest possible way; then, knowing that if they are chosen, they are required.... There are one or two other consequences that might arise. I thought it might help the meeting to see these two balanced points of view. There may be a middle course. Our view is that it is at least as important, more important than the articles of the Fund will be, the way it looks, the kind of people it will attract to itself, the kind of

relations they will establish. This Fund must grow in strength and not have its strength in the beginning. You ought to give yourselves the widest possible choice and you ought to have no conditions which limit, especially in the beginning, the field of your choice.

DELEGATE FROM \_\_\_\_\_: I find myself in agreement with what has been said by the Delegate of the United Kingdom. It seems to me that this is an excellent suggestion which will take into account the equally splendid suggestion made by the Delegate from the Netherlands that we should amend it having the top man in the field, and the equally good suggestion of the United States Delegate that the Delegates should be on hand at all times. If we have Executive Secretaries who are not necessarily Governors, such men could be in close contact with the top man. It has been expressed as undesirable to have the Executive Directorate delegate to an individual or a group of individuals powers which have been delegated to it by the Board of Governors. It seems to me that there is a slight mechanical detail that we can handle when we discuss the wording of the project either under Alternative A, Subsection (d) where the Executive Directors are permitted to appoint subcommittees or committees. It could be stated there that in appointing such committees those committees have to report back to the Executive Directorate and that action will be taken by the Directors and not by the Committee or if we discuss Alternative B, Subsection (d), which reads: (Subsection (d) of Alternative B read at this point). It could be added there that they are not allowed to delegate such power to a Subcommittee or to any division.

REPORTING DELEGATE: Mr. Chairman, Both A and B propose a two year term for the Executive Committee but there is an interesting deviation from the term of the Board of Governors and the deviation is that where the Board of Governors serves at the pleasure of their governments this isn't the case with either of the proposals. Now this wouldn't matter with those members of the Executive Committee who represent countries which have the right to be represented, but there arise many complications with those members of the Executive Committee who are supposed to represent several countries. If we imagine that such a country would recall the member in the Executive Committee, especially according to the proposal A where he is bound to be a member of the Board of Governors, there would arise some complications, so that I think we should discuss this point. The proposal A doesn't have the extra chairman for the Executive Committee but the Managing Director is ex officio the Chairman of the Executive Board. This is proposal A. B elects an extra Chairman, so that there would be in the article two Chairmen, one of the Board of Governors and the second, of the Executive Committee. Proposal A provides for a continuous session of three years, proposal B no continuous session. Proposal A, persons elected....not elected again. There would arise a slight....with those countries who elected a certain person by trust. So that now there is a very important difference between proposals A and B. According to B, if I understand the proposal, countries are elected which eliminates this difficulty and eliminates the difficulty. If I understand the proposal B countries are elected and not persons. According to A only members of the Board are eligible to be elected into their executive body whereas according to proposal B either he may be or he may not be. According to A an election process is indicated. According to A, the votes are related to a certain extent to quotas. According to B there are rigid quotas. According to A the country may be present which is directly touched by the question. I do not know how this can be made possible if there is an urgent thing to be decided. Now the last point I would like to mention - proposal A mentions special committees where proposal B didn't mention it in this connection, probably doesn't exclude it.

## COMMITTEE 3 OF COMMISSION I - HEMICYCLE ROOM

4:00 p.m. July 5, 1944

The Chairman: The session is open.

I suggest that we will begin our discussion today on page 26 of the Joint Statements of No. 2 and 3, leaving all the questions relating to the executive directors postponed for tomorrow morning because certain groups are making certain arrangements in order to arrive at any conclusion and present a new statement to the Committee. And so the matter is now in discussion. We may receive the objections or the remarks about this question.

Question: On the question itself. Mr. Chairman, or on the fact of taking up that question first?

The Chairman: Of that question, of No. 2 and 3.

Question: Yes, but I mean on substance?

The Chairman: On substance, yes, regarding to the matter of Board of Governors but not of the executive committee.

Mr. Gutt (Belgium): Gentlemen, I am sorry to take up your time again, but yesterday it had been proposed that some matters not regarding the Board of Governors but regarding the executive committee should be postponed or sent to a special subcommittee because they are very closely linked to the questions of quotas. Now we have this question of voting power with the Board of Governors, which is again very closely linked to the question of quotas, and I wonder how we can make quotas if we do not adopt the same system for that as the system which was proposed yesterday.

Mr. Luxford (United States): Mr. Chairman, I merely wish to state that there is much in what the gentleman from Belgium says. On the other hand, I believe that in section 3, page 26, we are talking about an over-all problem that is not closely related to the question of management or the details of management. Rather, it deals with the question of what will be the voting power of each country in the Board of Governors, which we have already discussed and more or less agreed on yesterday morning. That is, page 24, we talked about the Board of Governors, we agreed that there would be a Board of Governors more or less, and now we are talking about how a Board of Governors will vote. This has nothing to do with an executive director who may be elected some other time.

Mr. Gutt: I said so. But it is linked, nevertheless, with the quotas.

Mr. Luxford: Both are linked to quotas. Any question about it?

Mr. Hexner: Gentlemen, I think this Alternative A and B, it is true it is linked to quotas but in an abstract sense it means whatever the quotas will be these two proposals apply to it. I could imagine a quota system which would make these provisions inapplicable but according to those quota systems which are discussed -- I would underscore "quota systems". What is discussed now, according

to my knowledge will be probably the size of the quotas. I do believe that we could attempt to discuss this voting with reference to the executive board and if we hit a point which makes it impossible to go further we could probably postpone the discussion of that point until we will know the quotas. But we could at least attempt to read it and to discuss it with reference to the Board of Governors in order to make some progress.

Mr. Gutt: I agree.

Mr. Beckett (United Kingdom): Mr. Chairman, perhaps it would help the committee if I pointed out this: It is rather an accident of the arrangement of the papers in the looseleaf that you have Alternative A on page 26 and Alternative B on page 26a together. They really have no relation to each other at all because Alternative B is talking about the Board of Governors and the votes that can be cast there, etc. When you come to Alternative A on page 26, it is talking about a particular matter which probably would be delegated to the executive directors, and, therefore, there is no connection between Alternative A and B at all and it would be a mistake to try to discuss those two alternatives together.

Mr. Luxford: Mr. Chairman, I think that what Mr. Beckett has said is absolutely true with regard to the second and third paragraphs of section 3, namely, there you are talking about a special fact situation. I do believe, on the other hand, that paragraph 1 is speaking of a general proposition, namely, how you shall vote on the Board of Governors, and for that reason there is perhaps a reasonable overlapping between the two. I think it might be helpful, since there seems to be little confusion on the matter, to set forth at least intended to be covered by Alternative A.

The first paragraph provides that each member country shall have 250 votes, plus one additional vote for each part of its equity equivalent to \$100,000. Now, that voting you are talking about at that point is, what are the rights of a country on the Board of Governors. What are the votes that each governor on the Board of Governors votes? What votes will he have? So that there we are talking of the highest body and we are discussing what each country votes will be on that highest body.

Now, the formula that has been suggested here, in the first sentence, it contemplates the necessity for combining two different factors. There are obvious reasons, which all of you know, why it would be desirable to have each country an equal number of votes. There has been a technique that has been used before many times by international bodies. On the other hand, there are perhaps equally persuasive reasons why you should not have your voting tied to the amount that each contributes in the sense of a business corporation. What this particular paragraph attempts to do is to equate, to bring together and balance the rights of each country as a country and its investment so that both factors are represented in your end product, namely, the votes of a particular country.

Now, the formula suggested here contemplates that each country by virtue of accepting membership will be entitled to 250 votes regardless of what its quota may be. In addition to the 250 votes to which each country is entitled by virtue of membership, it is also entitled to votes depending upon the amount that it



contributes. The particular formula which has been suggested here contemplates that for each \$100,000 that a country contributes it will receive one additional vote. Therefore, if one country should contribute, let us say, \$1,000,000 its total votes would be 250 plus 10 votes, which means that it would have a total vote of 260.

Now, this particular formula was intended in particular to give the smaller countries, the countries with the smaller quotas, voting strength by virtue of their acceptance of membership, recognizing that if you were to tie it entirely to their quota their votes might not represent their true interests in this organization.

Turning from the first paragraph to the second paragraph, there you are dealing with a very particular situation specifically under Article III, section 2. You have a provision that the Fund may waive conditions regarding the access of a particular country to the Fund.

To illustrate: Under Article III, section 2, a country is entitled to 25% of its quota during any 12-month period in the event that conditions within that country require in any particular 12-month period a sum greater than 25% of its quota. The country has a right under this document to apply to the Fund for a waiver of this 25% provision so that it is possible to give it a much greater amount.

Now, on the question of waivers, you have a vote. The Fund will vote on that question and at that point this particular provision comes into play. On the date that the Fund is established, each country will have its quota in the Fund and the vote will be in the ordinary way. On the other hand, it is perfectly conceivable that over a period of time you will find that certain countries have drawn heavily on the Fund and other countries have not drawn on the Fund. This formula attempts to adjust for that contingency and the procedure contemplated would be that of this narrow question of waiver each member shall be entitled to a number of votes modified from its normal as follows: (a) by the addition of one vote for the equivalent of each \$200,000 of net sales of its currency by the Fund. That is, as the currency is withdrawn from the Fund by other countries, the country whose currency is being taken from the Fund will have an increase in its votes on the basis of one vote for every \$200,000 of a country's net purchases of the currency of a member country. Thus, if there were only two countries in the Fund and one country were to take the currency of another country -- let us say \$100,000 -- out of the Fund the net result would be -- My example should be \$200,000. If Country A took \$200,000 out of the Fund or the equivalent, which would only be the currency of the other country since there are only two countries in the Fund, the net result would be that the country taking the \$200,000 would lose one vote. The country whose currency was taken would gain one vote.

Now, that provision only applies on the question of waiver plus one other case, and that is in section 3 under Article III, which deals with voting on whether a country is using the resources of the Fund contrary to its purposes. Those are the only two occasions on which there is any adjustment on the voting technique.

Now, as Mr. Beckett did point out, probably these votes that we are talking about now would be votes on the executive committee, but the point that is attempted to be established here, regardless of when that vote takes place, you will make adjustment on these two issues depending upon whether a country is either a net -- if I may use the term "borrower" -- from the Fund or a net creditor to the Fund.

Now, the last paragraph again is general. It states that, except as otherwise specifically provided, all matters before the Fund shall be decided by a majority of the aggregate votes cast. That will probably be more clear to you in terms of some of the earlier drafts where you had sprinkled throughout the document "4/5 votes." Most of these provisions have been eliminated from the draft. There is one case that I can think of where it still limits, namely, in the case of changing quotas a 4/5 vote is still required. There is one other exception, possibly, to this provision. Probably when you get to the question of suspension, voting on the forcible withdrawal of a country from the Fund will probably be on a country basis rather than on any basis of quotas.

Mr. Colbjornsen (Skaug) (Norway): Mr. Chairman, I should think that this second part is rather closely related to what we are going to do about executive committee. At any rate, it is very closely related to the spirit in which we are going to solve the functions of the executive committee. And in connection therewith, I should like to remark that it has not been decided and I hope it will not be presumed to be decided that the executive will be voted according to quotas. I hope that we will reach a place where we can decide that executive directors will vote individually with the only proviso that in order to avoid that we will have to give very big members more than one director, two or three to a very large one. It does not do away with the principle of voting as individuals rather than voting as representatives of countries. I don't want to go into that matter any further now since it will come up for discussion when we discuss the whole question of executive committees. Therefore, we are not quite able to discuss it at all.

The only thing I want to say is of a general nature. I am rather horrified by the spirit that is behind these questions. It makes the impression that we are going to make a distinction here between the virtuous and the sinful, the virtuous being those who do not use the Fund and the sinful being those who use the Fund. The consequence will be that the virtuous will have more votes than the sinful. Mr. Chairman, I think that would be most unhappy if we couldn't get ourselves rid of that conception. It should not be considered a bad thing to use the Fund. If someone abuses the Fund, and let us assume if we start in this business that the greatest majority of us sitting around here will work this Fund in good faith. If we don't assume that, what is the good of starting a fund that is meant to be a fund of cooperation, but if somebody doesn't do that, there are various means for the Fund to intervene -- it can even take sanctions, it can take reports. In the exceptional case that somebody tries to make wrong use of the Fund, doesn't take the steps provided there should be no distinction between Class 1, virtuous, who do not use the Fund, and Class 2, sinful, who do use the Fund. And apart from the fact we can't discuss the details of it, I want to warn all people here against such a conception as it would wreck the possibility of this Fund ever being useful at all.

Mr. Hexner: May I assume, Mr. Colbjornsen, that your objection is only against this exception of provision.

Mr. Colbjornsen: Yes. Two things: First of all, I don't agree that the direct objective of the directors should vote by quota. Secondly, I am against the conception that you should pursue people who use the Fund.

Mr. Luxford: Mr. Chairman, I think that in many of these cases that we are going to run into in the Fund you are really running into a basic problem of,

what kind of an animal is the Fund? And I don't know whether it is going to help any of us to talk morals about it. I think when you start gauging these matters as being "sinful" or perfect that it is not going to contribute too much to an evaluation of a concrete proposal. Although I can understand the analogy might perhaps clarify the issues in certain cases, I do not believe that it helps here. No one here is talking in terms of sin.

You have a question here, too, of an international body that has both political and economic phases. In other words, this whole document is an attempt to marry, to mingle and to blend the political aspects of this agency, with the practical business aspects of the agency the economic aspects. Institutions in the past have been established on more or less completely commercial lines. Others have been established on completely political lines. This whole document is an attempt to blend those two concepts. Neither of them have been perfect. You are dealing with an international problem. The spirit of this document is to bring together political considerations and economic. If you will approach this paragraph in that frame of reference, as a question of being one of economic or business aspects of this problem it is fairly easy to understand this particular provision.

Specifically, I think all had experience in the past that we have with credit institutions and the more that any business who borrows from a credit institution the more the credit institution wants to have a voice in that they are saying. Now, the analogy is by no means perfect. It is probably just as bad as the "sinful" analogy, but somewhere in between is the mean we seeking here and the provision contemplated here is that as a country continues to make access to the Fund the Fund is interested in restoring and in bringing back the funds into the Fund so that it will be able to handle the next emergency. And this is just one of the ways in which you can say that the Fund as a whole is attempting to restore the liquid assets of the Fund so that it can meet the next emergency.

Mr. Baranski (Poland): May I ask whether you don't consider it as possible such example as I shall give you here? If my country uses 25 percent of the quota in the first year -- it may be also 30 millions of dollars -- then according to the formula Poland may lose completely their voting power in this question in the first year because that will be more than the voting power of Poland at all. I think that the idea to penalize the country which is using the Fund for the purposes approved and established in the Fund has no justification at all. But even in that time you might say that the penalization may be too big.

Mr. Luxford: Mr. Chairman, I would just as a point of explanation say that if Poland were to use 25 percent of this quota during the first year -- is that your question? Did I understand it correctly?

Mr. Baranski: Yes.

Mr. Luxford: 25 percent of the quota. The reduction in its quota would only be  $12\frac{1}{2}$  percent of its votes. Let us take the extreme case. Suppose that Poland used 100 percent of its quota. In that case Poland would lose 50 percent of its votes and not 100 percent.

Mr. Brigden: I regret to interrupt this interesting discussion but I want to suggest that the Committee might deal with section 2 and the first of the part

of the suggested part of section 3, Alternative A, and leave this other matter because it is quite definitely a separate principle. I would like to discuss section 2 and the Alternative B, which relates chiefly to section 2. We have nothing to do with sponsoring Alternative B but we prefer the text to the original section 2, and for this reason, that we feel that you cannot actually relate the distribution of voting power to the quotas at all closely in practice. We are departing from it already in this proposal that there shall be votes irrespective of the quota. If you recall the difficulty about the three objectives or participation, first of all a criteria for contribution, a criteria for participation in the Fund and then a criteria for voting, you get an impossible combination so that you cannot use any formula probably for all countries for all three purposes. The capacity of a country to contribute to the Fund may be, and often is, very different from its needs of participation in the Fund.

We in Australia feel we must have a large enough quota for participation. We will contribute what is necessary for that. But we feel that if we seek an adequate quota we do not at the same time want to lay claim for a proportionate amount of voting power, and it is for that reason that, while it may be proper to base voting power upon the quotas and to vary from that base as may seem sensible, I don't think that we can really in practice have it closely related to the quota. I do not wish to make any suggestion of my own. I support Alternative A and Alternative B in that connection and would suggest that we discuss that and then the first part of Alternative A, distinguishing that from this proposal that we have just been discussing for reasons of simplification.

Mr. Hexner: Mr. Chairman, may I indicate the points which are at issue perhaps in order to have an idea how to break down the discussion. I suppose that we may discuss and we best discuss Alternatives A and B together. The first question is whether the votes in the governing board, unless otherwise provided for -- I mean election of the executive -- unless otherwise provided for, whether they shall relate directly to quotas as in Alternative B or whether it should relate to quotas, in addition to 250 votes. This is the first question.

The second question is whether there should be a change in voting power with reference to certain questions as provided for in points A and B. I would ask your consideration whether this point has so very much significance for those who propose it? I suppose there will be a group with very strong voting power which anyway could vote down the creditor countries, but I don't want to go further into this question. I would perhaps be wise to consider whether it is really very significant, whether it is worthwhile to make it as a point of issue.

The third point, which is very important, is that "except as otherwise specifically provided for, the votes should be taken by a majority of the aggregate votes cast." Now, this can be understood only with reference to a certain quorum. There is no quorum in Alternative A -- at least, not in this point -- so we may take the quorum from B and this quorum provides for 2/3 of the total voting power.

The next point we could discuss is whether this 2/3 of the total voting power is an adequate quorum. However, I would call your attention to the fact that it would be good to consider what is going to happen if there is no quorum because there may be urgent matters which have to be decided, there is no quorum. So that there should be an answer given whether here should be a quorum which

should decide with members present or whether that should be regarded as dropped I suppose there is no doubt that this quorum probably doesn't relate to voting according to VII, 1, (d) -- that means when a vote is taken by cable. It means that in that case if there is no -- I don't know how the proponents meant this quorum problem in the case of voting taken according to VII, 1, (d), by cable. It is an easy thing to answer in one way or the other. I suppose these are the issues which could be discussed.

Sir Wildred: I think this committee owes a great debt to our Reporting Delegate for the way in which he regularly brings us back to what we really are talking about. With the permission of the committee, I would like to comment on Alternative B. First of all, in the agreed statement of principles which was published it is clear it says the distribution of the voting power on the board shall be closely related to the quotas. And that is published as the first time of our agenda. Alternative B, I think, can be criticised as being a rather lazy alternative. It says the number of votes which each governor can cast shall be related to the quota of the member appointed governor. All that that has done at that stage is to make explicit that vote on the Board of Governors shall be related to quotas. But I am afraid it has not gone on and possibly it should have to discuss how to calculate the quotas' strength on the Board of Governors. It accepted the principle that voting on the Board of Governors should be by quota strength, but it did not go on to discuss how to calculate it. Now, the United States delegate, in explaining the first paragraph of Alternative A, said that it was an attempt to weigh two things, to put two things over, the calculation of voting strength, first, the universal equality of all member countries because they had become members and, secondly, in accordance with the principle that is in the agreed statement of principles weighting by additional votes related and in the first paragraph related very exactly to the quotas. I think that the quorum part of Alternative B I should like to get out of the way. I think the Reporting Delegate was right, it doesn't really arise now, and what the Alternative B was doing was make it plain that you did not require all the Board of Governors to be present physically, or his alternative, in order to give a valid decision by the Board of Governors. You cannot contemplate that that will always be possible. But the articles must provide that there shall be a minimum number of governors or their alternates present in order that their decision shall have validity. All the second part of B was doing was to make a suggestion about the minimum voting strength represented on the Board of Governors, which would give validity to the decisions of the Board of Governors. It is quite true that it did not provide for the complications of what you would do with a quorum when you could cable to people. I am afraid we were thinking all the time about physical discussions around a table and not this helpful consequence of the enormous quantity of inventions by American inventors.

May I ask that this quorum question for the moment be outside of the discussion? What we are asked to consider and to discuss now is, do we agree with the statement of principles that voting on the board shall reflect fairly accurately what one might call the economic interest of the participating countries in their contribution to the Fund. I suggest that we must accept that principle. It seems the only possible one that will be a working principle.

The second question we are asked is when you are translating that is this combination of a unit value for all members as members plus a weighted addition equal to their contribution to the Fund. Is that a reasonable way of trying to link the political equality of the members in the Fund to the inevitable economic differences in contribution they are able to make?

Is 250 votes plus this additional vote for each hundred thousand dollars of the quota a reasonable way of doing it? I think it would help very much if we kept also quite separate the other part of Alternative A which the Delegate from the Netherlands has criticised because there is a certain corollary. It is a qualification of the first principle. But I venture to put to the Committee that what we are asked to decide is, do we accept the principle that on the Board of Governors voting power shall reflect the contribution that each country has made to the finances of the Fund. Secondly, is this a reasonable way of giving effect to that principle.

Mr. Baranski: I made really a mistake in my calculations, for which I apologize most humbly.

Mr. Hexner: I think that is the problem at issue, this 250 votes. There is no doubt that what the British Delegate explained corresponds verbally to the Joint Statement. I suppose everybody who read the statements -- it means the drafts as they follow each other, knows the story of these 250 votes. In the first draft they were 1,000 votes, or they were 100 related to 1,000,000 votes. So that in this relation there were 1,000 votes. Later on, they were boiled down to 500 votes. The idea is to give a certain voting power to small countries. I suppose from the point of view of justice it is very difficult to state something to the right or to the left. It is a problem of protecting small countries or, not protecting, that is nothing why they should be protected -- perhaps supporting small countries, something like that, these 250 votes. The question is a question of substance, the question of volition, which can be argued with great difficulties.

Mr. Duran Ballen (Ecuador): Mr. Chairman, I have no intention of appearing "virtuous" by what I am going to say. Although I realize that my primary duty is to defend the interest of the country which had honored me with its representation, I believe that I have -- and I hope that many feel as I do in that case - an even higher duty, and that is to defend the Fund, to aim at making it a success because in that manner I am not only looking after the interest of Ecuador but of all the nations associated with it in the Fund; and, because of that, I believe we should keep the Fund sound and safeguard it against error or abuse. For that reason, I am wholly in sympathy with the necessity of preserving the principle appearing in the Joint Statement about relating the voting power to the quota.

Furthermore, since the second paragraph on page 26 relates only to Article III, as has been pointed out by one of the speakers, I believe the United States Delegation -- I do not take that as a punishment; I take that as one of those safeguarding measures to which I have referred. If a country is in the position shown in Article III, paragraph (c), on page 6, that country's position has been weakened and it has a tendency to weaken the Fund if no measure is taken to correct that measure. To my mind, the second paragraph on page 26 decreasing the voting power of countries in the Fund is such a corrective measure and as such I would be prepared to support it.

Sir Wilfred: May I ask the Chairman to give a ruling? I am not sure we have disposed of the first paragraph. May I ask as a point of order that you rule as to whether we have disposed of it or that we will go on to the next? So that we will not lose ourselves again.

(No action taken).

Mr. Hsi (China): On behalf of the Chinese Delegation, I beg to support the case made by the Ecuador Delegation. The Chinese Delegation considers it very important that voting power shall be closely related to the principle as agreed upon in the Joint Statement.

With regard to 250 votes as a basis, this I think is normal. What is important is the one for the several hundred thousand dollars. And, turning to the (a) and (b) under this Alternative A, the Chinese Delegation is prepared to agree in principle but would like to suggest that the \$200,000 for every vote shall be changed into \$2,000,000 in order to lighten the penalty.

Mr. Colbjornsen (Skaug): I must admit, Mr. Chairman, that I am getting a little confused regarding what are the issues here. Now, we all seem to agree that the voting power can be related to the quotas and it seems to me the questions before the Committee is, how and how strictly should they be related to the quotas. As I understand, Alternative B proposes voting power which is proportionate to the quotas while A inserts a 250 basic-unit vote. After what has been said from Ecuador and China, it may seem difficult to get up and defend Alternative A because I understand both Ecuador and China want Alternative B. I was a member of the Norwegian Delegation last summer which had the pleasure to discuss this problem with the Treasury representatives and I took part in the gradual decrease from 1,000 to 500 and some time it disappeared altogether and now we have 250. Now, we don't want to give the impression that we are so terribly anxious to get voting power or all these sorts of things but we do feel that also from the small countries there are good people in these fields, people who understand things and might be able to make a contribution to discussions and to the decisions which are going to be made by the Fund, and for that reason, we think it is justified that we should have a basic vote -- I should not object to 500 but I am not going to raise that question, let the 250 which is proposed in the alternative. In behalf of the Norwegian Delegation, I should like very strongly to support Alternative A.

Mr. Monteros (Mexico): I want to point out to this committee that the Mexican Delegation is also strongly in favor of that first paragraph that is under discussion but I must point out that 250 vote has to be taken in relation to the total votes. In other words, that I would suggest that the question of how many votes of a country should be postponed until, as the Delegate from Canada proposed yesterday, we know the scheme, the total schedule, of votes. In other words, I favor the principle of assigning to each country as a member country a number of votes. How many votes, I would leave for discussion which will take place after we know that schedule.

Mr. Hexner: But, Mr. Chairman, may I suggest that we finish our discussion on the first part of this point by recording that there was a disagreement in the Committee whether voting in the Board of Governors should be related directly or rigidly to the quotas or whether a certain amount of votes should be added to that vote.

Mr. Monteros: Mr. Chairman, a point of order. I would suggest that if we first decide whether this committee accepts the principle that each country should have a number of votes independent of its quota votes.

Mr. Hexner: Well, I suppose that the Committee isn't supposed to make majority voting. It means to outvote each other. We are going to put into the record there was a disagreement. It is obvious that the Representative of the United Kingdom opposed the adding of a rigid number of votes to the quotas and this in itself is sufficient to register disagreement.

Sir Wilfred: Would it help if the United Kingdom withdrew Alternative B? It was never meant to suggest that the relation of the votes on the Board of Governors should be rigidly related to the quotas. We have no objection in principle to the suggestion in Alternative A and, in order to avoid any implication that there is disagreement on the principle that each country shall have a given number of votes as a country, we are content to withdraw Alternative B.

Mr. Hexner: Would the Delegate of Mexico oppose this number 250?

Mr. Monteros: I would not oppose it until we know the relation between 250 and the total aggregate quota votes

Mr. Hexner: We could perhaps register the following decision, if you agree, gentlemen: That there is an agreement on the first paragraph of VII, 2, 3, according to Alternative A with the remark that the number 250 has to be re-considered after knowing the quota participations.

Mr. Luxford: Mr. Chairman, I think it might be helpful if the Reporting Delegate could now summarize paragraph 2 and 3 for us, he has done so well on the first paragraph.

Mr. Hexner: I would not want to compete with Mr. Luxford. I suppose you did an excellent job on that.

Mr. Luxford: I only meant to summarize the sense of the matter; I think we have discussed, and I think in the same way that you have reported on one to us maybe you can tell us there seems to be disagreement on 2 and we can leave it at that.

Sir Wilfred: May I ask, first of all, I understood from the United States Delegate that this will be amended to read Article III, 2, (d) and Article III, (3). It is not the whole of Article III but Articles III, 2 (d), which is giving notice of suspension and the waiver, and Article III, 3 -- Article III, 2 on looseleaf A of the folder.

The second question is rather more technical: What is the meaning to be attached to adjust the votes in the transactions in gold? There are one or two possible meanings and I would like to know what is involved in this. I don't know whether it would be convenient to the United States Delegate when he is replying, with your permission, if I also raised two other things which are not questions of interpretation.

The other is this: I would like to know whether more consideration will be given to the suggestion which was raised by the Delegate from China that halving the voting power of the countries in these circumstances may be an unreasonably strict treatment of the situation. It appears to attach more significance to the restriction of voting than one would hope would apply to a situation arising under



III, 2, (d). It is certainly arising on the Waiver. But if the United States Delegation feels that something must be done to the country which is in credit to the Fund to weaken its voting position, whether it is not simpler and better to say that the country involved does not have a vote.

Mr. Luxford: On the answer to Sir Wilfred's first question, I think we are in agreement in principle with his proposal to spell out in Article III the specific provisions involved. The difficulty is that while it is very easy to say III, 2, 3 -- that is subdivision or section 3 -- declaring members ineligible to use the resources of the Fund and that can be done very simply. It is a little difficult to do that on section 2 where the only waiver provision is at the end of the section and does not have a letter after it. I think it is a drafting detail and in the next draft I hope the Secretariat would fix it up so that we can put it in there that way.

Now, as to what adjusted votes in net transactions in gold, I believe that that provision was intended to take care of the situation so that a country would not be getting votes simply because the gold in the Fund which had been part of its original contribution was being counted. I think that what that really means is that you would deduct the gold part of its quota in calculating the votes that it would gain. I believe the Canadians made that proposal some time and we accept it as being a reasonable interpretation of what we were driving at.

On the third question as to whether the figure of 200,000 is the right figure, I would only say that that is certainly something that the Committee should consider and that I do not believe it is something that anybody has any real fixed views on. It was put in there as being a simple way of throwing this matter open for discussion.

On the fourth proposal that a country involved does not have a right to vote, I would be a little concerned about that as being a fair alternative to what has been proposed here and I would be concerned from the point of view of the country involved. I do not think that because that country may be using the access to the Fund or using the Fund's resources that it should be denied its full vote. At the outside, the proposal that we have suggested would only deprive them of a little less than half of their vote. If they would use all of their quota they would still be entitled to half of their vote and I think it might be regarded as a little severe to deprive them of their whole vote. But that is a question for the whole Committee to consider, but it does have the merit that Sir Wilfred has suggested, it is a little simpler; and to say whether that statement makes up for a possible hardship would be something for this group to determine.

Sir Wilfred: May I ask the Delegate from United States about the explanation for Article III on net transactions in gold. I think there is a need in final drafting for simplification. If the amount of currency exceeds 75 percent or 100 percent, then it has the meaning --

Mr. Luxford: I am agreed, fully.

Sir Wilfred: I am content that the last suggestion that the country shouldn't vote should be left to the Committee. I don't question that.

Mr. Hsi: The reason I mentioned 2,000,000 is because I thought that while the Chinese Delegation agrees that there shall be some penalty for a member country to draw on the Fund and, on the other hand, to give the equivalent number of votes to the creditor nation, I mentioned that in order to say that while we agree in principle that the penalty to the member country should be as light as possible, so instead of 50 percent I make it 5 percent.

Mr. Hexner: May I ask the Delegate of the United States whether in practice this provision may be in reality applied in the sense that it will really influence the voting. I don't want to go into the merits of the question, but I have the feeling that there will be a strong majority in the Fund who are going to defend certain interests. I don't think that this point is going in reality to influence one of the decisions of the executive committee or of the board. And it is a somewhat complicated provision. I suppose the intention is that the by-laws of the Fund -- we are discussing first the constitution of the Fund -- that this constitution should be rather simple. If there may not be expected that this is going to influence real situations in practice. I would like the United States Delegation to consider whether we shouldn't drop this provision from the by-laws.

Mr. Monteros: Mr. Chairman, Mexico has to voice, also, her strong approval of this principle. It may appear inconsistent with her normal position as a debtor country, but has it not always been true that creditors have more to say about lending money than borrowers? Is it not obvious that when the Fund has lent more money to a single country that country should have less to say about how the Fund's resources will be used. To us, it is one of those principles which are basic in the constitution of this Fund. Not that it should be so. We question from a higher point of view this principle established in international finance but we take it as something fundamental that when we undersigned the Joint Statement we all thought that that was a basic principle, that the creditor nations should have proportionately more voting power than the debtor nations. The matter that my distinguished colleague from China has brought up to us, how to measure this difference in penalty, although it is a word I don't like to use, is to me more important than the matter of principle and, therefore, I would ask also whether there is general agreement in principle and not in quantity. Isn't that, after all, the general feeling of this meeting?

Mr. Sbarounis: I should like to add to the discussion that I do consider that this principle is in accordance with the aims of the Fund because the Fund aims to bring an aid to help the small countries that need the help of the Fund. So I don't see why they should be penalized when they use that facility that is afforded them. That is why in the name of the Greek Delegation I ask to be allowed to oppose that principle.

Mr. Blowens (Ethiopia): Mr. Chairman, the Ethiopian Delegation wishes to support this Alternative A. I think we are all taking this entirely too personally. I don't believe it is aimed at any one country. As I understand the provision, it was put in to safeguard against the possibility of a combination of debtor nations concerning the lending power of the Fund. I think it is a reasonable safeguard and one that we should keep in the proposal.

Mr. Fisher (New Zealand): There are just two points I want to make. It seems probable in practice the adjustment of voting power in accordance with the proposals of the paragraphs here would be likely to be a very complicated matter, and it might turn on the chance whether a vote were taken one day or the following day whether the country had a certain voting power or not. Of course, it seems that these things will be decided by close votes, which, as the representative of the

Netherlands has already suggested, would be pretty clear indication that the Fund was on the verge of foundering. But if the matters are not to be determined by very close votes, then it certainly doesn't seem to be worth while making the elaborate adjustments of what for the majority of countries here would be very small voting power in the Fund. In the case of New Zealand our voting power wouldn't be as much as one percent of the whole anyway and it doesn't matter to us very much whether that is increased by 1,000 or diminished by 1,000. That won't affect anything of importance at all. But -- and this is my second point -- it may be a matter of very great importance if the provisions of these two subsections were applied in the case of one of the really big contributors to the Fund, which might very well, to use the inaccurate phrase, be in credit to the extent of increasing its voting power by, as has been said, practically 50 percent. And that is a matter about which I think we might legitimately be a little concerned.

To take the extreme case, we don't know exactly what the figures will be but if we can take as an illustration the figures in the New York Times today the rather paradoxical situation might arise that just at the moment when the biggest contributor to the Fund was on the verge of being declared a country whose currency was technically scarce from the point of view of the operations of the Fund..... its voting powers for these purposes would be just a little bit less than 50 percent of the total votes and it seems to me that an arrangement which would create a situation of that sort is not a very desirable one.

I would suggest quite provisionally as a possible compromise which would meet the arguments that have been put forward about not allowing people who are borrowing to have the same power to deal with the situation as the people who are lending, that we may delete (a) altogether and be satisfied with the diminution of the voting power by the net purchase from other countries.

Mr. Luxford: Just on the point of issue, the gentleman from New Zealand in understanding the provision, it was never contemplated that this vote provision in the second paragraph would have general application. It would by no means have any application on the question of whether a currency should be decided to be scarce. It would only have application in two narrow cases -- I mentioned that -- and I think Sir Wilfred's suggestion of pinning it to those provisions would be most helpful in making it clear. I would not intended to apply to a vote as to whether currency of a country would be made scarce.

Mr. Fisher: I understand that perfectly. What I had in mind was when the Fund's supplies of the currencies of the larger contributors to the Fund were being reduced to zero at that moment for other purposes and the representation of the United States mentioned the voting power of that country would be at its maximum.

Mr. Luxford: That's right. It would be, approximately. I think you are using the United States as an illustration and as I recall its then voting position might be between 20 and 25 percent. Now, at the outside, this might increase it to about 35 percent, probably not quite that much.

Mr. Chairman: I think the matter is already being clarified, but nevertheless we cannot decide at once. And so it seems we must proceed with the second part and carry on the discussion in the meeting this morning and we can come back and discuss and decide this question.

Mr. Machada: Mr. Chairman, in withdrawing Alternative B the gentleman from the United Kingdom in order to help us came to an agreement on Alternative A. There is an important matter at the end of Alternative B that I think has no bearing on the subject, namely, establishing a quorum for a meeting of the board of directors. I think our Reporting Delegate raised that point. And I was wondering if we would like to register an agreement on whether or not the quorum should be established.

Mr. Hexner: We are going to discuss that in a few minutes.

Mr. Chairman: We must discuss this question, "that except as otherwise specifically provided all matters before the Fund shall be decided by a majority of the aggregate votes cast."

Mr. : Mr. Chairman, I am sorry to go back to paragraph (a) and (b), or, rather, the first part of Alternative A, but I would like to have some clarification on one point. I believe everyone here agrees on the principle that the distribution of voting power should be related to the quotas, and I can well see how the system of voting is going to function as far as the board of directors is concerned when every member country is reached. But the Joint Statement speaks also of the executive committee and I would like to have some explanation on how the system of voting is going to function for the executive committee because there we are going to have five members of the executive committee that will be appointed by the five largest contributing countries and some other members who will represent the other countries. Now, how are they going to calculate the voting power of those other members of the executive committee? That is a clarification that I would like.

The Chairman: At the beginning of the meeting I have already explained that all the questions in relation to executive committee will be discussed after, when we will receive the new statement being prepared by some groups.

And so we have this part. I think that Cuba wants to discuss this. The exception is made at the end of section 7, "except as otherwise," and so we may discuss the problem of a quorum as it is proposed in the Alternative B, a quorum which must consist of not less than  $2/3$  of the total voting power. That is the question under discussion.

Sir Wilfred: I am grateful to the Delegate from Cuba for reminding me that I withdrew more than I intended to withdraw. I did not intend to withdraw this provision for a quorum. I venture, also, to suggest to our Reporting Delegate that we are really not considering the question of how you get a decision from the board of directors, including cabling. We are considering now when there is a meeting of the Board of Governors what is the minimum number present who constitute a valid vote. That is all. And we have suggested here that a valid vote requires not less than  $2/3$  of the total voting power of the governors on the board.

Mr. Monteros: Mr. Chairman, I believe, sir, that this minimum quorum is really dangerous to the small countries. In other words, that a  $2/3$  quorum might be easily formed by the largest-quota members; therefore, it seems to me that  $2/3$  quorum is too low in this particular mechanism for validity, especially if regarding certain matters of concern and of great concern to all the countries. Therefore, I would suggest the division of the quorum. I would propose two different kinds of a quorum should be had, some large quorum for more important issues, that the board will decide and a small quorum for the less important issues.

Mr. Chairman, just as a suggestion, and the figures I am going to mention are not intended to be specific, perhaps a combination of a quorum of voting power and a quorum of member countries would do the trick, as they say. Perhaps if we had, and I repeat these figures, the 2/3 voting power and 1/2 of the member countries or any other figures that might be agreed upon.

Mr. Luxford: Mr. Chairman, I would suggest that by all means we do need a quorum provision in this document. I think that the suggestions that have been made are very good, both by Mexico and by Ecuador, and I am quite certain something along that line should be worked out so that we will give due regard to both the number of countries and the quotas.

Mr. (United Kingdom): I would be prepared to accept an amendment in that sense in any form drafted by the Committee. I entirely agree in the suggestion of the Delegate.

Mr. Hsi: All that I want to say is to support the suggestion made by the Mexican Delegation.

Mr. : May I suggest we have a small committee to draft that last sentence of Alternative B incorporating the suggestions that have been proposed here?

Mr. Hexner: Could we clarify the point made by Ecuador and Mexico? Would it be convenient to the Mexican Delegate if we should state a quorum of 2/3 with the minimum half of the member countries present. That would settle one part of the issue.

Now, the second point would be if no quorum is present and business should be performed would it be agreeable to state that the chairman should call another meeting within the month at the latest and this meeting could decide without regard to a quorum present. Would this be an agreeable proposal?

Sir: Wilfred: Is not that which happens automatically, that if there is not that quorum present no business can be transacted at that meeting, and that the executive committee has to set another meeting?

Mr. Hexner: What I assume, Mr. Chairman, is that to suppose such business has to be performed which cannot be delegated to the executive committee that just that happens, that in the second meeting again there is no quorum. Now, we could decide -- I admit that it is a possible solution -- that we should state rigidly that if no quorum is present no business can be performed. It is an alternative, too.

The Chairman: I have understood the last part of Alternative B must be read like this: "A quorum for the vote shall consist of not less than 2/3 of the total voting power of the governors and 1/2 of the countries." That, I think is the proposal of Mexico and of Ecuador. All the gentlemen who are agreed to such a proposition say "Aye".

Vote: Aye.

The Chairman: Approved.

I was so happy because we have approved something.

Mr. Hexner: I assume that the agreement of the Committee is that there should be a quorum always present, 2/3 and half of the members.

Mr. Monteros: That is right.

Mr. Hexner: That if there is no such present there cannot be a decision made.

The Chairman: All right. Tomorrow at ten O'clock.

Mr. Machado: Before we adjourn, I would like with your permission to present - I have given it to the Secretariat -- Alternative C as to the organization of the executive committee and I would like your permission to hand it to my colleagues, the delegates from various countries here pending their receipt of formal mimeographed copies, so that they may study it and be ready for discussion.

The Chairman: All right.

The meeting is adjourned.

## COMMITTEE I-3

Minutes of the Morning  
Meeting  
July 4, 1944

The Committee was organized with the introduction of the Chairman, Dr. de Souza Costa, the Reporter, Dr. Hexner (Czechoslovakia), and the Secretaries, Messrs. Bryan and Bittermann.

The text of VII 1 (a) was accepted by the Committee with the suggestion that the words "all powers" be substituted for the word "administration" since the latter word had too restricted a meaning in Spanish.

The Committee next considered VII 1 (b). After an exchange of views about the delegation of powers, the text met with general approval.

Alternative A and B of VII 1 (c) were discussed. The view was expressed that Alternative A did not give adequate opportunity to the small countries to protect their interest by asking for special meetings of the Board of Governors. After full consideration, the Committee generally agreed to the incorporation into the draft of Alternative B with the exception of the last sentence. As agreed, VII 1 (c) therefore would provide that special meetings of the Board of Governors could be called on the initiative of 5 countries or of countries having 25% of the quotas.

The meeting was adjourned at 11:30 a.m. until 4:00 p.m., July 4.

## COMMISSION I - COMMITTEE 3

Afternoon Meeting - July 4, 1944

Dr. de Souza Costa presiding. Dr. Boucas acted as Chairman for the first part of the meeting. The Committee continued discussion of Article VII, Management of the Fund.

It was agreed that the provisions of VII-1-d are supplementary to VII-1-c, and on this understanding, the provision was accepted. The meeting agreed to VII-1-e without discussion.

Consideration was then given to VII-2-a. Some members favored postponement of the discussion of this section until the quotas shall have been determined. Others suggested that the principles of the quotas were known so that discussion of this section could profitably be undertaken at once. Proposals were made to increase the Board of Governors from 12 to 15, and to refer the matter to a proper sub-committee. No action was taken on these proposals. Discussion of alternatives A and B followed. It was stated that alternative A proposed to vest the powers of the Fund on most matters except those specially reserved, to a small body which could be in continuous session and so could transact business expeditiously as is required under other clauses of the draft. The voting method permitted the formation of groups for the election of members and so made possible representation on a geographical basis or on the basis of similarity of economic interests irrespective of areas. The proposal was consistent with VII-2 of the joint statement which provided that voting in the Board of Governors and in the Executive Directorate was to be roughly proportional to the quotas.



## MINUTES OF MEETING OF COMMITTEE 3, COMMISSION I

## Organization and Management of the Fund

(July 5, 4 p.m.)

At its third meeting on July 5, 4 p.m., the Committee by agreement decided to defer action and further consideration of Article VII, section 2, Alternative A and B relating to the Executive Directors until new drafts would be submitted by various members for the sections in controversy. The Committee proceeded to consider Article 7, section 3-Voting in the Board of Governors. After extended debate it was agreed to accept in principle the first paragraph providing for a number of votes to be assigned to each country by virtue of its membership, in addition to the votes proportional to quotas. No decision was taken on the number of 250 votes per country until more information about the quotas becomes available.

The Committee discussed, at considerable length, the implications of the second paragraph of VII-3 providing for the reduction of votes of members purchasing currency from the Fund and increasing the votes of members whose currencies are sold by the Fund. In the discussion it was brought out that the precise limitations of the use of the proposed provision should be clarified by re-drafting so as to make clear that the special voting provisions applied only to a few circumstances, e.g., the waiver by the Fund of the limitations on the annual purchase of currency by a member country and the prevention of the misuse of the Funds assets. While there was no general agreement, the weight of opinion seemed to approve of the terms of Alternative A with, perhaps, some reduction in the penalty to be applied to the countries making large purchases of currency from the Fund.

The third paragraph of the section was accepted. Alternative B was withdrawn by its supporters except the portion relating to the quorum. It was agreed that the quorum should be constituted by at least half of the member countries and at least two-thirds of the votes.

On the other hand, the importance of voting might be over-emphasized in the opinion of some of the delegates present, since the principal function of the fund would be consultative. For this purpose, periodic meetings would be sufficient whereas continuous meeting might result in excessive activity on the part of the fund management. In opposition to this view, it was stated that agreement and unanimity would be desirable, but might not always be possible. The consultative function of the fund was not to be minimized, but in the absence of complete agreement, voting might be necessary. It was also suggested that a monthly meeting of the Directors would not be adequate unless in practice many of the functions of the Executive Directorate were delegated to the managers.

In the argument in favor of Alternative B, it was suggested that the routine powers of the Executive Directors would in many cases be delegated to a permanent official, who need not be a member of the Board and so might be selected on other bases than the considerations involved in selection by governments direct. Furthermore, the Chairman could call meetings of the Directors in advance of crises which could be anticipated in advance. In general, the argument emphasized the

consultative functions of the Executive Directors rather than their direct administrative responsibility. There was no general consensus of views on this question at the meeting and discussion will be continued.

The meeting was adjourned at 5:30 p.m.

## MINUTES OF MEETING OF COMMITTEE 3 OF COMMISSION I

## Organization and Management of the Fund

(July 6, 1944, 10 a.m.)

At the fourth meeting of the Committee on July 6, at 10 a.m. the text of Article VII Section 5, page 28 was accepted without change. Article VII, Section 6 on depositories was then given extended consideration. Paragraph (a) in Alternative A was agreed without change. Agreement was not reached on paragraph (b), Alternatives A and B and the question was referred to Commission I for decision. Alternative C was dropped by general consent. Section 7 was agreed upon as proposed in Alternative A, page 29.

The committee resumed consideration of the question of management of the Fund, Article VII, Section 2. New drafts for the relevant sections were submitted. The original Alternatives A and B were combined into a new draft (SA/1/17, Document 152). Alternative C (SA/1/16, Document 151) and Alternative D (SA/1/15, Document 150) were introduced at this meeting. After discussion it was apparent that no complete agreement was possible in view of the differences of these drafts. Additional amendments to these drafts are to be submitted by several of the members. The Chairman was authorized to appoint a special committee to consider the reconciliation of these drafts and to present a new document to the committee as soon as possible. The following countries were named to this committee: The United States, the United Kingdom, the Netherlands, Cuba and Belgium.

Article VII, Section 8 and Article VIII, Section 1, were not discussed pending clarification of their possible assignment to Committee 4. The committee recommended that the first three clauses of Article VII, Section 11 be transferred to Committee 4. Since an amendment is proposed to the fourth clause, action was postponed on this clause, while the fifth clause was adopted as presented.

Adjournment at 1 p.m.

In the minutes of July 4, 4 p.m. in the third paragraph lines 6 and 7 the words "Board of Governors" should read "The Executive Directors".

## MINUTES OF MEETING OF COMMITTEE 3 OF COMMISSION I

## Organization and Management of the Fund

(July 7, 1944, 10 a.m.)

The Committee amended Article VII (additional Section 10), page 32 by substituting the "Board of Governors" for "The Fund". With this amendment, the Section was adopted. Article III, Section 11, page 14 was explained, but discussion was deferred on the request of some of the members. Alternative C to Article VII, Sections 1, 2 and 3 (Document 178), was presented to the Committee, and was referred to the sub-committee already dealing with the question of the Executive Directors and methods of election. The Committee took no action on Article VII, Sections 1, 2 and 3 pending a report of its special sub-committee. Discussion of Article VIII, Section 3 was postponed until the next meeting to allow time for the consideration of a proposed Alternative B.

## MINUTES OF MEETING OF COMMITTEE 3 OF COMMISSION I

## Organization and Management of the Fund

(July 8, 1944, 9:30 a.m.)

The Committee considered Alternative D to Article VII, Section 6(b), page 29(b), relating to the deposit of the Fund's gold holdings. After discussion this was referred to Commission I to be considered along with the other Alternatives to this Section. The Committee then considered Article III, Section 11, page 14(c), Alternative C, relating to information to be supplied to the Fund by the member countries, which replaced Alternative A. A new Alternative D, Document 203, was also discussed. Alternatives C and D were referred to the Commission.

The Committee discussed Article VIII, Section 3, page 36, the Settlement of Accounts of Withdrawn Members. A new Alternative was submitted and will be circulated. An amendment to Article VIII, Section 4, Liquidation of the Fund, was submitted and will be circulated. After discussion it was decided to refer these matters to a special sub-committee, consisting of representatives of Belgium, the United Kingdom, the United States, Australia and Mexico.

The sub-committee on the Executive Directors reported a "Final Alternative submitted by the Special Sub-committee Appointed to Consider All Proposals Relative to the Executive Directors" to replace the combined alternatives A and B, C, and D with the amendments submitted by various countries. The sub-committee reported that it had been able to reach agreement on all questions before it except the total number of Executive Directors. After discussion the whole Committee approved paragraphs 1, 4, 5, 6, 6(a), 7, 8, 9, 10, 11, 12, and 13. Paragraph 3 was referred to Commission I after consideration of an amendment, Document 178, paragraph 3, page 26(d). Paragraph 2 was discussed but no agreement had been reached at the time of adjournment. An Alternative to paragraph 2 and an amendment to Schedule B of the combined Alternatives A and B has been submitted and will be circulated.

Adjournment at 11:35.

## MINUTES OF MEETING OF COMMITTEE 3 OF COMMISSION I

## Organization and Management of the Fund

(July 11, 1944, 10 a.m.)

The Committee considered Article VIII, Section 2, Alternative A (Document 210) dealing with suspension and compulsory withdrawal from the Fund. A number of questions about the interpretation of this Article were raised in the meeting. After the discussion, the Committee decided to approve the Alternative, Section 2, 2(a) and 2(b) with suggestion to the Drafting Committee of the Commission to state clearly under what conditions a country would be suspended from using the Fund's resources or be compelled to withdraw from membership and the fair procedure therefor. It was the consensus of the Committee that these sanctions should be applied only when the country's action directly affects the operation of the Fund.

The Committee received the report of its sub-committee on Liquidation and withdrawal, (Document 243)\*. The Committee agreed to eliminate from further consideration Alternative B, Article VIII, Section 4 (Document 241). It was unable to reach agreement on Alternatives A and C for this Section and referred the matter to Commission I. Article VIII, Section 3, page 36, Settlement of Accounts with Governments Ceasing to be Members, was also referred to the Commission for action. No action taken on Article VII, Section 7, Location of Offices.

\*Document 243 should be corrected in the third paragraph, line 7 to read: "Alternative B" in place of "Alternative D." In the fourth paragraph, line 9, to read: "Alternative C" instead of "Alternative B".

MINUTES

## COMMISSION I, COMMITTEE 4

Form and Status of the Fund  
(July 4, 11:30 a.m.)

The first meeting of Commission I, Committee 4 was held on July 4 at 11:30 a.m. The Chairman of Commission I, Mr. White (USA) introduced the Chairman of the Committee, Mr. Llosa of Peru, who in turn introduced the Committee Reporter, Mr. Keilhau (Norway) and the Secretaries of the Committee.

After expressing appreciation on behalf of his country, the Chairman explained that a document indicating the parts of the preliminary draft of the agreement within the scope of the Committee had just been distributed in the morning and suggested that it would be advisable to delay discussion of the substance until the next meeting. He also suggested that the next meeting be held the following morning. The Chairman stated that it appeared that the following sections of the preliminary draft fall within the scope of the Committee's activities: Article IX, Sections 5, 6 and 7; Article XI; Article XII; Article XIII, Sections 1, 2, and 3 and 4; Article XIV.

As there was no response to the Chairman's inquiry regarding discussion, the meeting was adjourned.

## MINUTES OF MEETING OF COMMISSION 1, COMMITTEE 4

## Form and Status of the Fund

(July 5, 1944, 5:30 p.m.)

The second meeting of Committee 4 of Commission I was held on July 5 at 5:30 p.m. The Chairman announced that the Chairmen of all of the delegations had agreed that there would be no formal voting in the Committees. The Chair was authorized to appoint a small asterisk committee to which minor questions of wording and coordination may be referred. In the case of a lack of agreement on important questions, the lack of agreement will be reported to the Commission. Approval was obtained permitting the technical personnel accompanying the delegations to be allowed, at the request of the representatives, to express the point of view of their delegations without arguing with the delegates.

The Committee proceeded with the discussion of Article IX, Sections 5, 6 and 7, as amended. After considerable discussion and comments by various delegates, Section 5 of Article IX was approved without amendment. In the case of Section 7, considerable discussion took place between the delegates. From this discussion the Chair summarized the consensus of opinion by appointing a subcommittee to further review Article IX, Section 7 (Doc. #121) before final approval. The subcommittee appointed by the Chair consists of one delegate from Cuba, Norway, U.K., U.S.A., and U.S.S.R. The delegate from the U.S. was designated as Chairman. The assignment of the subcommittee is the review of Section 7 and presentation of the consensus of opinion of the subcommittee.

In addition to the Articles and Sections assigned to this committee in Doc. #51, the following matters were also assigned:

## Article VII - Management of the Fund

- Sec. 8 - Relationship to other international organizations

## Article VIII - Withdrawal from the Fund

- Sec. 1 - Right of members to withdraw
- Sec. 2 - Suspension of membership or compulsory withdrawal

These Sections are to be discussed at the meeting of July 6.

The above Articles and Sections were previously assigned to Committee 3 of Commission I.



Minutes of Meeting of Committee (4) of Commission I  
July 6, 1944, 2:30 P.M.

Form and Status of the Fund

The third meeting of Committee 4, Commission I, was held on July 6, at 2:30 P.M. The Chair appointed the delegates from China, Cuba, Ecuador, Poland, United Kingdom, Union of Soviet Socialist Republics, and the United States as the members of the asterisk committee, with the delegate from Cuba serving as Chairman. Also serving as ex officio members of this Committee are the Chairman, Reporter and Secretary of Committee 4.

The Chairman of the subcommittee to review Article XI, section 7, reported that the members, at the meeting held today, were substantially in agreement. It was indicated by the Chairman that the revised Article XI, section 7, would be submitted to the full committee at the next scheduled meeting.

Article VII, section 8, was discussed extensively and the consensus of opinion recommended approval without change. At the suggestion of one of the delegates, the Committee approved the discussion at this meeting of Article VII, section 11, items 1, 2 and 3, which were previously assigned to Committee 3. After considerable discussion by the various delegates of the interpretation of the proposed wording of the first phrase under the heading (Document 32, page 33) of section 11 of Article VII, it was agreed that the present wording would be revised and stated as follows: "In order to carry out its purposes, the Fund shall have full legal personality and, in particular, to "...". With this amendment in wording the Committee approved Article VII, section 11.

Following an extended discussion of Article VIII, Section 1, Alternative A, the Chair stated that a consensus of opinion of the delegates indicated approval. During this discussion the delegate of the country proposing Alternative B stated his reasons for recommending changes in Alternative B.

Article VII, section 2, was not available for discussion.

At a joint meeting of the Chairmen of Committees 3 and 4, it was agreed that Article VIII, section 2, would be discussed upon its completion in Committee 3 instead of Committee 4, as previously announced in the minutes of July 5, 1944.

In the case of Article XI --Amendments, there was a consensus of opinion by the Committee that certain modifications be made to cover the proposals made by the delegates of two of the countries. This article was referred to the asterisk committee for their consideration.

Article XII, section 1, was discussed at length. At the conclusion of the discussion the Chairman stated that the consensus of opinion approved Alternative A but because Alternative B was an explanation of a part of Alternative A, recommended that the asterisk committee meet and prepare one document for presentation to the Committee.

## MINUTES OF MEETING OF COMMITTEE 4 OF COMMISSION I

Form and Status of the Fund

(July 7, 1944, 2:30 p.m.)

The fourth meeting of Committee 4, Commission I was held on July 7, at 2:30 p.m. The Chairman of the subcommittee to review article IX, section 7 read the document agreed upon by the members of the Committee. He stated that one of the delegates reserved decision on a part of the document read to the full committee.

As the remaining material assigned to this Committee had been referred to subcommittees or was not available for distribution, the meeting was adjourned

July 8, 1944

MINUTES

## COMMISSION I, COMMITTEE 4

Form and Status of the Fund

(July 8, 11:30 a.m.)

The fifth meeting of Committee 4, Commission I, was held on July 8 at 11:30 a.m.

Article IX, Section 7, Alternative B, Document 194, page 43a, was adopted in the form as presented by the subcommittee.

Considerable discussion was held upon the document presented by the subcommittee known as Article VII, Section 11, Alternative B, Document 198, page 33a. The first three numbered sub-paragraphs were accepted as presented, sub-paragraphs 4 and 5 having been referred to another committee previously.

Article XI, Alternative C, Document 198, page 45a. After considerable discussion it was decided to insert in the second line between the words "from" and "a" the words "the Government of" and in the ninth line between the words "three-fifths" and "of" the words "of the Governments" to make the meaning clear with that indicated in the seventh line and the last line of the first paragraph.

Article XII, Section 1, Alternative C, Document 198, page 46a. Discussion on this document was prolonged. It was finally decided to accept the text as presented in Alternative C.

Article XII, Section 3, Alternative A, Document 209, page 48. After the delegate from the U.S.A. explained the purpose of the wording which was presented the text was adopted without change.

The Committee was advised that Article XII, Section 2 and Article XIII, Sections 1, 2, 3 and 4 were not yet ready for presentation to the Committee or its subcommittees. With this exception the Committee has completed the work assigned to it by Commission I.